

SOI BULLETIN

A Quarterly Statistics of Income Report

Volume 28 , Number 3

The *Statistics of Income (SOI) Bulletin* is issued quarterly, in February, May, August, and November, by the Statistics of Income Division of the Internal Revenue Service. The report provides the earliest published annual financial statistics obtained from the various types of tax and information returns filed, as well as information from periodic or special analytical studies of particular interest to students of the U.S. tax system, tax policymakers, and tax administrators. Selected historical and other data tables, previously published in every issue of the *SOI Bulletin*, now are published only in the spring issue of the *Bulletin*. These tables are also available on SOI's pages of the IRS Web site (www.irs.gov/taxstats).

Information on the availability of supplemental data on the topics included in this issue, special tabulations undertaken on a reimbursable basis, or other SOI subjects, may be obtained by telephoning the SOI's Statistical Information Services (202-874-0410), or by writing to the Director, Statistics of Income Division RAS:S, Internal Revenue Service, P.O. Box 2608, Washington, D.C. 20013-2608.

The *SOI Bulletin* is prepared under the direction of Martha Eller Gangi, Chief, Statistical Data Section. Paul Bastuscheck (layout and graphics), James Dalton (writer-editor), Heather Lilley (layout and graphics), Lisa Smith (layout and graphics editor), Bobbie Vaira (publishing services coordinator), and Dorothy Wallace (layout and graphics) are the editorial staff who prepare the manuscript. Jim Hobbs and Emily Gross also made major contributions in the production of this issue. Views expressed in the articles are those of the authors and do not necessarily represent the views of the Treasury Department or the Internal Revenue Service.

NOTE: When using information from this report, cite the publication as follows—
Internal Revenue Service
Statistics of Income Bulletin
Winter 2009
Washington, D.C.

For sale by the
Superintendent of Documents
P.O. Box 371954
Pittsburgh, PA 15250-7954

Inside this Issue 3

Featured Articles:

Individual Income Tax Rates and Shares, 2006 5
by Kyle Mudry and Justin Bryan

Split-Interest Trusts, Filing Year 2007 46
by Lisa Schreiber

Unrelated Business Income Tax Returns, 2005 76
by Melissa Ludlum

Foreign Recipients of U.S. Income, 2005 99
by Scott Luttrell

Projections of Federal Tax Return Filings: Calendar Years 2008-2015 110
by Jeff Matsuo

Allocations: A Behind the Scenes Look at Data Movements Within SOI Corporate Editing 120
by Marty Harris

Departments:

SOI Sampling Methodology and Data Limitations 130

Public Release of SOI Information 133

SOI Projects and Contacts 134

SOI Products and Services 138

Index—Previously Published Articles and Data Releases Inside Cover

Inside this Issue

Individual Income Tax Rates and Shares, 2006

by Kyle Mudry and Justin Bryan

For Tax Year 2006, taxpayers filed 138.4 million individual income tax returns, of which 92.7 million, or 67.0 percent, were classified as taxable returns. A taxable return is a return on which the taxpayer reports total income tax greater than zero dollars. This represents an increase of 2.4 percent in the number of taxable returns since 2005. Adjusted gross income (AGI) on taxable returns rose 8.5 percent to \$7,439 billion for 2006, while total income tax rose 9.5 percent to \$1,024 billion. The average tax rate for taxable returns rose approximately 0.2 percentage points to 13.8 percent for 2006.

Taxpayers with an AGI of at least \$388,806, the top 1 percent of taxpayers, accounted for 22.1 percent of AGI for 2006. This represents an increase in income share of 0.9 percentage points from the previous year. These taxpayers accounted for 39.9 percent of the total income tax reported, an increase from 39.4 percent in 2005. The top 5 percent of taxpayers accounted for 36.7 percent of AGI and 60.1 percent of total income tax. To be included in the top 5 percent, a taxpayer must have reported AGI of at least \$153,542. In 2005, the cutoff for this group was \$145,283.

Split-Interest Trusts, Filing Year 2007

by Lisa Schreiber

In Filing Year 2007, some 123,659 entities filed Form 5227, *Split-Interest Trust Information Return*. Reported total net income was \$12.2 billion, an increase of 22.1 percent over that reported in Filing Year 2006. Total accumulations, including ordinary income, short-term and long-term capital gains, and nontaxable income, also increased, from \$66.3 billion in 2006 to \$73.1 billion in 2007. A comparison of beginning- and end-of-year accumulations shows that trustees continued to distribute less income than trusts earned during the year. End-of-year net asset values reported for split-interest trusts increased to \$115.4 billion in 2007, while end-of-year book value of assets and end-of-year book value of liabilities increased by 8.6 percent and 12.4 percent, respectively. Investments continued to make up the majority of assets reported for all types of split-interest trusts.

Unrelated Business Income Tax Returns, 2005

by Melissa Ludlum

Charitable and other types of tax-exempt organizations reported more than \$10 billion in gross unrelated business income on Form 990-T, *Exempt Organization Business Income Tax Return*, for Tax Year 2005. Between 2004 and 2005, total unrelated business income tax liability increased by 49 percent to \$543.3 million.

Charitable organizations, tax-exempt under section 501(c)(3), were the most common Form 990-T filers, representing nearly one-third of all organizations that filed the return for Tax Year 2005. These organizations reported 56 percent of all gross unrelated business income for the year, claimed 60 percent of deductions, and accounted for nearly half of all unrelated business income tax liability.

Nearly 83 percent of all Tax Year 2005 Forms 990-T were filed by tax-exempt organizations that paid taxes at the corporate rate, with tax-exempt trusts accounting for the remainder of filers. Corporate filers reported the majority of gross unrelated business income, total deductions, positive unrelated business taxable income, and unrelated business income tax for Tax Year 2005. Compared to corporate filers, tax-exempt trusts accounted for larger proportions of total investment income and net unrelated business income.

Foreign Recipients of U.S. Income, 2005

by Scott Luttrell

During Tax Year 2005, foreign persons received \$378.4 billion in U.S.-source income and \$333.2 billion, or 88.0 percent, was exempt from withholding taxes. For 2005, interest payments (\$211.8 billion) accounted for 56.0 percent of total income paid to foreign recipients. Dividends and notional principal contract income combined accounted for \$113.5 billion, or 30.0 percent of total income. Rents and royalties accounted for \$21.5 billion, or 5.7 percent of total income. Corporations were the leading recipients of the largest categories of income, as corporations earned the most interest (69.0 percent), dividends (47.5 percent), notional principal contract income (95.5 percent), and rents and royalties income (92.8 percent). The effective tax rate on all U.S.-source income subject to withholding in 2005 was 14.7 percent, significantly

Inside this Issue

Statistics of Income Bulletin | Winter 2009

below the statutory rate of 30.0 percent, due largely to reduced withholding rates permitted under tax treaties.

Projections of Federal Tax Return Filings: Calendar Years 2008-2015

by Jeff Matsuo

For Calendar Year (CY) 2009, the Internal Revenue Service (IRS) Office of Research projects that taxpayers will file 240 million Federal tax returns and supplemental documents. This number, which includes individual, corporation, partnership, and estate tax returns, as well as applications for extension of time to file and amended returns, among others, represents a decrease of 4.3 percent from estimated return filings of 250.8 million for CY 2008. The Office of Research also estimates that the Economic Stimulus Act of 2008 increased CY 2008 filings of Form 1040, 1040A, and 1040EZ returns by approximately 14.4 million returns over baseline projections for that year.

After CY 2009, return filings are projected to grow at an average annual rate of 1.1 percent and are expected to reach 256.9 million by 2015. Electronically filed individual income tax returns are projected to be 58 percent of all individual income tax returns filed in 2008 and 78 percent of those returns filed in 2015.

Allocations: A Behind the Scenes Look at Data Movements Within SOI Corporate Editing

by Marty Harris

Allocation, the identification and movement of taxpayer-reported data items to other, more specific items or categories, is one of many statistical processes that the Statistics of Income (SOI) Division

applies to U.S. corporate income tax returns selected for the SOI sample, which includes Forms 1120, 1120A, 1120S, 1120F, 1120L, 1120PC, 1120 RIC, and 1120 REIT. Allocation is key to enriching SOI corporation data that are used by tax policy and other researchers. Without it, corporate data would be subject to significant overstatement or understatement. For Tax Year 2005, the total amount allocated was more than \$10.5 trillion. This article examines some of the characteristics of returns for which allocation is utilized, as well as the proportion of published SOI corporate data accounted for by allocation.

In the Next Issue

The following articles are tentatively planned for inclusion in the spring 2009 issue of the *Statistics of Income Bulletin*, scheduled to be published in May 2009:

- High-Income Tax Returns, Tax Year 2006;
- Foreign-Earned Income and Foreign Tax Credits, Tax Year 2006;
- Estate Tax Returns, Filing Years 2001-2007;
- Quality Zone Academy Bond Issuance and Investment;
- Retrospective Panel of Private Foundations, Results;
- International Boycott Reports; and
- U.S. Possessions Corporations, Tax Year 2005.

Individual Income Tax Rates and Shares, 2006

by Kyle Mudry and Justin Bryan

Taxpayers filed 138.4 million individual income tax returns for Tax Year 2006, of which 92.7 million (or 67.0 percent) were classified as taxable returns. A taxable return is a one that has total income tax greater than \$0. This represents an increase of 2.4 percent in taxable returns from 2005. Adjusted gross income (AGI) on these taxable returns rose 8.5 percent to \$7,439 billion for 2006, while total income tax rose 9.5 percent to \$1,024 billion. The average tax rate for taxable returns rose, approximately 0.2 percentage points to 13.8 percent for 2006.

Taxpayers with an AGI of at least \$388,806, the top 1 percent of taxpayers, accounted for 22.1 percent of AGI for 2006. This represents an increase in income share of 0.9 percentage points from the previous year. These taxpayers accounted for 39.9 percent of the total income tax reported, an increase from 39.4 percent in 2005. The top 5 percent of taxpayers accounted for 36.7 percent of AGI and 60.1 percent of total income tax. To be included in the top 5 percent, a taxpayer must have reported AGI of at least \$153,542, whereas, in 2005, the cutoff for this group was \$145,283.

This article discusses individual income tax rates and tax shares and the computation of “total income tax” for 2006. It provides explanations of selected terms and describes income tax structure, certain tax law changes, income and tax concepts (the “1979 Income Tax Concept,” “modified” taxable income, and marginal tax rates), the computation of “alternative minimum taxable income,” and data sources and limitations.

Income Tax Rates

Discussions of income tax rates generally center on measuring two distinct tax rates: average tax rates and marginal tax rates. Average tax rates are calculated by dividing some measure of tax by some measure of income. For statistics in this article, the average tax rate is “total income tax” (see *Explanation of Selected Terms*) divided by AGI reported on returns showing some income tax liability.

Kyle Mudry and Justin Bryan are economists with the Individual Returns Analysis Section. This article was prepared under the direction of Jeff Hartzok, Chief.

Measures of marginal tax rates, on the other hand, focus on determining the tax rate imposed on the last (or next) dollar of income received by a taxpayer. For this article, the marginal tax rate is the statutory rate at which the last dollar of taxable income is taxed (see *Income and Tax Concept*).

The following sections describe the measurement of the average and marginal tax rates in more detail and discuss statistics based on these rates for 2006.

Average Tax Rates

Figure A presents income statistics for 1986 through 2006 (based on each year’s definition of AGI and on the common 1979 Income Concept) and taxes reported (see *Income and Tax Concepts*). These tax years can be partitioned into seven distinct periods:

- (1) Tax Year 1986 was the last year under the Economic Recovery Tax Act of 1981 (ERTA81). The tax bracket boundaries, personal exemptions, and standard deductions were indexed for inflation, and the maximum tax rate was 50 percent.
- (2) Tax Year 1987 was the first year under the Tax Reform Act of 1986 (TRA86). For 1987, a 1-year, transitional, five-rate tax bracket structure was established with a partial phase-in of new provisions that broadened the definition of AGI. The maximum tax rate was 38.5 percent.
- (3) During Tax Years 1988 through 1990, there was effectively a three-rate tax bracket structure.¹ The phase-in of the provisions of TRA86 continued with a maximum tax rate of 33 percent.
- (4) Tax Years 1991 and 1992 brought a three-rate tax bracket structure (with a maximum tax rate of 31 percent), a limitation on some itemized deductions, and a phaseout of personal exemptions for some upper-income taxpayers.
- (5) Tax Years 1993 through 1996 had a five-rate tax bracket structure (with a maximum statutory tax rate of 39.6 percent), a limitation on some itemized deductions, and a phaseout of personal exemptions for some upper-income taxpayers.

¹ For Tax Years 1988 through 1990, the tax rate schedules provided only two basic rates: 15 percent and 28 percent. However, taxable income over certain levels was subject to a 33-percent tax rate to phase out the benefit of the 15-percent tax bracket (as compared to the 28-percent rate) and the deduction for personal exemptions. At the taxable income level where these benefits were completely phased out, the tax rate returned to 28 percent.

Individual Income Tax Rates and Shares, 2006

Statistics of Income Bulletin | Winter 2009

Figure A

Adjusted Gross Income, Total Income Tax, Average Tax Rate, and Average Total Income Tax, Tax Years 1986-2006

[Money amounts are in billions of dollars, except where indicated]

Tax year	Total number of returns	Taxable returns								
		Number of returns	As a percentage of total returns [1]	Adjusted gross income (less deficit)	Total income tax	Average tax rate (percent) [2], [3]	Average per return (whole dollars) [3]			
							Current dollars		Constant dollars [4]	
							Adjusted gross income (less deficit)	Total income tax	Adjusted gross income (less deficit)	Total income tax
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
	Using each tax year's adjusted gross income									
1986	103,045,170	83,967,413	81.5	2,440	367	15.1	29,062	4,374	26,516	3,991
1987	106,996,270	86,723,796	81.1	2,701	369	13.7	31,142	4,257	27,414	3,747
1988	109,708,280	87,135,332	79.4	2,990	413	13.8	34,313	4,738	29,005	4,005
1989	112,135,673	89,178,355	79.5	3,158	433	13.7	35,415	4,855	28,560	3,915
1990	113,717,138	89,862,434	79.0	3,299	447	13.6	36,711	4,976	28,088	3,807
1991	114,730,123	88,733,587	77.3	3,337	448	13.4	37,603	5,054	27,609	3,711
1992	113,604,503	86,731,946	76.3	3,484	476	13.7	40,168	5,491	28,630	3,914
1993	114,601,819	86,435,367	75.4	3,564	503	14.1	41,233	5,817	28,535	4,026
1994	115,943,131	87,619,446	75.6	3,737	535	14.3	42,646	6,104	28,776	4,119
1995	118,218,327	89,252,989	75.5	4,008	588	14.7	44,901	6,593	29,463	4,326
1996	120,351,208	90,929,350	75.6	4,342	658	15.2	47,750	7,239	30,433	4,614
1997	122,421,991	93,471,200	76.4	4,765	731	15.3	50,980	7,824	31,763	4,875
1998	124,770,662	93,047,898	74.6	5,160	789	15.3	55,458	8,475	33,836	5,171
1999	127,075,145	94,546,080	74.4	5,581	877	15.7	59,028	9,280	35,431	5,570
2000	129,373,500	96,817,603	74.8	6,083	981	16.1	62,832	10,129	36,488	5,882
2001	130,255,237	94,763,530	72.8	5,847	888	15.2	61,702	9,370	34,840	5,291
2002	130,076,443	90,963,896	69.9	5,641	797	14.1	62,015	8,762	34,472	4,870
2003	130,423,626	88,921,904	68.2	5,747	748	13.0	64,625	8,412	35,122	4,572
2004	132,226,042	89,101,934	67.4	6,266	832	13.3	70,318	9,337	37,225	4,943
2005	134,372,678	90,593,081	67.4	6,857	935	13.6	75,687	10,319	38,754	5,284
2006	* 138,394,754	92,740,927	67.0	7,439	1,024	13.8	80,218	11,041	39,791	5,477
	Using 1979 Income Concept [5]									
1986	103,045,170	83,967,413	81.5	2,703	367	13.6	32,194	4,374	29,374	3,991
1987	106,996,270	86,723,796	81.1	2,736	369	13.5	31,551	4,257	27,774	3,747
1988	109,708,280	87,135,332	79.4	3,011	413	13.7	34,556	4,738	29,210	4,005
1989	112,135,673	89,178,355	79.5	3,188	433	13.6	35,752	4,855	28,832	3,915
1990	113,717,138	89,862,434	79.0	3,335	447	13.4	37,108	4,976	28,392	3,807
1991	114,730,123	88,733,587	77.3	3,387	448	13.2	38,169	5,054	28,024	3,711
1992	113,604,503	86,731,946	76.3	3,553	476	13.4	40,964	5,491	29,198	3,914
1993	114,601,819	86,435,367	75.4	3,625	503	13.9	41,938	5,817	29,023	4,026
1994	115,943,131	87,619,446	75.6	3,796	535	14.1	43,322	6,104	29,232	4,119
1995	118,218,327	89,252,989	75.5	4,075	588	14.4	45,655	6,593	29,957	4,326
1996	120,351,208	90,929,350	75.6	4,418	658	14.9	48,582	7,239	30,964	4,614
1997	122,421,991	93,471,200	76.4	4,849	731	15.1	51,875	7,824	32,321	4,875
1998	124,770,662	93,047,898	74.6	5,299	789	14.9	56,947	8,475	34,745	5,171
1999	127,075,145	94,546,080	74.4	5,736	877	15.3	60,666	9,280	36,414	5,570
2000	129,373,500	96,817,603	74.8	6,294	981	15.6	65,012	10,129	37,754	5,882
2001	130,255,237	94,763,530	72.8	5,943	888	14.9	62,716	9,370	35,413	5,291
2002	130,076,443	90,963,896	69.9	5,758	797	13.8	63,297	8,762	35,184	4,870
2003	130,423,626	88,921,904	68.2	5,849	748	12.8	65,777	8,412	35,749	4,572
2004	132,226,042	89,101,934	67.4	6,399	832	13.0	71,817	9,337	38,019	4,943
2005	134,372,678	90,593,081	67.4	7,016	935	13.3	77,448	10,319	39,656	5,284
2006	* 138,394,754	92,740,927	67.0	7,640	1,024	13.4	82,379	11,041	40,863	5,477

* Includes 742,859 Form 1040 EZ-T returns.

[1] Number of taxable returns (column 2) divided by total number of returns (column 1).

[2] Average tax rate is "total income tax" (column 5) divided by "adjusted gross income less deficit (AGI)" (column 4).

[3] The average adjusted gross income (less deficit), average total income tax, and average tax rate were calculated from unrounded data.

[4] Constant dollars were calculated using the U.S. Bureau of Labor Statistics' consumer price index for urban consumers (CPI-U, 1982-84=100). For 2006, the CPI-U = 201.6.

[5] These statistics are based on adjusted gross income less deficit (AGI) recomputed to reflect the 1979 Income Concept, thus enabling more valid comparisons to be made of the average tax rates among years. Changes in the definition of AGI among years render direct comparison of the unadjusted figures misleading. For additional information, see Statistics of Income-Individual Income Tax Returns, for 1986-2005. See Figure G for components of the 1979 Income Concept.

Individual Income Tax Rates and Shares, 2006

Statistics of Income Bulletin | Winter 2009

- (6) Tax Years 1997 through 2000 were subject to the Taxpayer Relief Act of 1997 which added three new capital gain tax rates to the previous rate structure to form a new eight-rate tax bracket structure (with a maximum statutory tax rate of 39.6 percent) (see *Income and Tax Concepts*).
- (7) Tax Years 2001 through 2006 were affected by two new laws, the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) and the Jobs and Growth Tax Relief Reconciliation Act of 2003 (JGTRRA). EGTRRA included a new 10-percent tax rate bracket, as well as reductions in tax rates for brackets higher than 15 percent of one-half percentage point for 2001 and 1 percentage point for 2002. It also included increases in the child tax credit and an increase in alternative minimum tax exemptions. Tax Year 2003, under JGTRRA, saw additional rate reductions in ordinary marginal tax rates higher than the 15-percent rate, as well as expansions to particular income thresholds in the rates from 15 percent and below. Also, the rate for most long-term capital gains was reduced from 20 percent to 15 percent. Further, qualified dividends were taxed at this same 15-percent rate. These changes are detailed in the previously published article, Individual Income Tax Rates and Shares, 2003, in Appendix C (under *Tax Rate Reduction*). Beginning in 2004, the Working Families Tax Relief Act increased the additional child tax credit refundability rate from 10 percent to 15 percent.

About 92.7 million, or 67.0 percent, of the 138.4 million individual returns filed for 2006 were classified as taxable returns. This was a 2.4-percent increase in taxable returns from 2005. Total AGI reported on taxable returns increased 8.5 percent to \$7,439 billion. Total income on taxable returns rose using the 1979 Income Concept as well, increasing 8.9 percent to \$7,640 billion for 2006. Total income tax rose by over \$89 billion (9.5 percent) to \$1,024 billion for 2006. Average AGI for taxable returns rose to \$80,218 for 2006, a 6.0-percent increase from 2005. Average income tax also rose by 7.0 percent to \$11,041 for 2006.

In order to analyze the average tax rate over time, it is necessary to use a more consistent measure of income than AGI because some tax law changes resulted in the definition of AGI changing from year to year. The 1979 Income Concept controls for much of this variation in tax law, and its use provides a more consistent estimate of the average tax rate across years. Under the 1979 Concept, the average tax rate for 2006 rose to 13.4 percent from 13.3 percent for the previous year.

As shown in Figure B, the average tax rate on all taxable returns as a percentage of AGI was 13.8 percent for 2006. The average tax rate for the AGI-size classes ranged from 2.7 percent for the “\$1 under \$10,000” AGI-size class to 23.6 percent for the “\$500,000 under \$1,000,000” AGI-size class.

The average tax rate of 13.8 percent for 2006 for all income classes combined was an increase of approximately 0.2 percentage points from 13.6 percent for 2005. The average tax rate for taxable returns fell in every AGI-size class except for the \$1 under \$10,000 class, which increased by 0.2 percentage point from 2005 to 2.7 percent. The overall average rate increased despite this decline in each AGI class because individuals tended to move to higher income classes which, in turn, faced higher tax rates. For example, in 2006, the number of taxable returns in every positive AGI class between \$1 and under \$30,000 decreased, while all others increased, especially at the higher income levels. Also, the number of taxable returns reporting AGI of \$1 million or more increased by 16.6 percent from 2005.

Marginal Tax Rate Classifications

A return’s marginal tax rate is the highest statutory tax rate bracket applicable to that tax return. Marginal tax rate statistics are presented in Figure C and Table 1. These statistics are based on individual income tax returns showing a positive taxable income amount based on “tax generated” and items of income that were subject to the regular income tax, generally those included in AGI.² The *Income and Tax Concepts* section of this article explains the determination of the marginal tax rate bracket into which a return is assumed to fall. Table 2 contains additional data based on ordinary tax rates and pres-

² Nontaxable (i.e., tax-exempt) forms of income, such as interest on State and local government obligations, were not included in AGI and generally did not affect the marginal tax rate. However, in some situations, the receipt of some forms of tax-exempt income, such as tax-exempt interest, could have influenced the taxability of other income, in particular Social Security benefits. When this situation occurred, income made taxable by the receipt of other forms of nontaxable income was included in AGI.

Individual Income Tax Rates and Shares, 2006

Statistics of Income Bulletin | Winter 2009

Figure B

Taxable Returns: Number of Returns, Adjusted Gross Income, and Total Income Tax, by Size of Adjusted Gross Income, Tax Years 2005 and 2006

[Number of returns is in thousands—money amounts are in millions of dollars]

Tax year, item	Total	Size of adjusted gross income									
		Under \$1 [1]	\$1 under \$10,000	\$10,000 under \$20,000	\$20,000 under \$30,000	\$30,000 under \$50,000	\$50,000 under \$100,000	\$100,000 under \$200,000	\$200,000 under \$500,000	\$500,000 under \$1,000,000	\$1,000,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Tax Year 2006:											
Number of taxable returns	92,741	6	4,225	11,496	11,630	20,486	28,799	12,041	3,115	588	353
Adjusted gross income (less deficit)	7,439,473	-5,988	27,753	172,504	290,722	808,020	2,044,851	1,600,506	893,337	398,745	1,209,023
Total income tax	1,023,920	181	743	7,132	17,898	59,803	184,463	209,381	177,041	94,214	273,064
Average tax rate (percent) [2]	13.8	[3]	2.7	4.1	6.2	7.4	9.0	13.1	19.8	23.6	22.6
Tax Year 2005:											
Number of taxable returns	90,593	5	4,524	11,741	11,745	20,432	27,821	10,767	2,732	523	303
Adjusted gross income (less deficit)	6,856,723	-6,680	30,448	176,775	293,474	804,970	1,967,468	1,425,108	787,269	354,471	1,023,421
Total income tax	934,836	133	746	7,386	18,371	60,162	178,811	189,468	159,395	84,700	235,664
Average tax rate (percent) [2]	13.6	[3]	2.5	4.2	6.3	7.5	9.1	13.3	20.2	23.9	23.0
Change in:											
Number of taxable returns	2,148	1	-299	-245	-114	54	978	1,274	383	65	50
Percent	2.4	29.1	-6.6	-2.1	-1.0	0.3	3.5	11.8	14.0	12.4	16.6
Adjusted gross income (less deficit)	582,750	693	-2,695	-4,271	-2,752	3,050	77,383	175,398	106,069	44,274	185,602
Percent	8.5	-10.4	-8.9	-2.4	-0.9	0.4	3.9	12.3	13.5	12.5	18.1
Total income tax	89,084	48	-3	-253	-472	-359	5,652	19,913	17,646	9,514	37,400
Percent	9.5	35.9	-0.5	-3.4	-2.6	-0.6	3.2	10.5	11.1	11.2	15.9
Average tax rate:											
Percentage point change	0.1	[4]	0.2	[5]	-0.1	-0.1	-0.1	-0.2	-0.4	-0.3	-0.4

[1] Includes returns with adjusted gross deficit. Tax in these returns represents some combination of alternative minimum tax, Form 4972 tax on lump-sum distributions from qualified retirement plans, and Form 8814 tax on a child's interest and dividends not reflected in adjusted gross income or taxable income.

[2] Average tax rate is "total income tax" as a percentage of adjusted gross income less deficit (AGI). The average tax rate was calculated from unrounded data.

[3] Percentage not computed.

[4] Change not computed.

[5] Less than 0.05 percent.

NOTE: Detail may not add to totals because of rounding.

ents statistics on income and tax generated at each ordinary tax rate by size of AGI.

For 2006, the number of individual returns with modified taxable income rose 2.2 percent to 106.7 million.³ The amount of modified taxable income reported on these returns increased 8.6 percent to \$5,580.4 billion. The tax generated on taxable returns rose by 9.1 percent to \$1,061.3 billion. Figure C presents the amounts and percentages of modified taxable income and income tax generated (before reduction by tax credits, including the earned income credit) by the marginal tax rate categories (defined in *Income and Tax Concepts*).

Returns with modified taxable income in the "15-percent" (ordinary income) marginal tax rate bracket contained the largest share of returns for 2006, at 38.7 percent. These returns reported 19.2 percent of

modified taxable income for 2006 and 13.0 percent of income tax generated. Conversely, taxpayers in the "35-percent" (ordinary income) marginal rate, the least represented bracket, accounted for only 0.9 percent of returns, but reported 22.0 percent of modified taxable income and 33.0 percent of tax generated (the largest of any tax bracket). The "10-percent" (ordinary income) marginal rate bracket reported the second largest share of returns at 24.1 percent. However, it only accounted for 2.5 percent of modified taxable income and 1.3 percent of tax generated. With a 20.9-percent share of returns, making it the third largest, the "25-percent" (ordinary income) marginal rate bracket reported 27.0 percent of modified taxable income and 23.9 percent of tax generated. Returns in the "28-percent" (ordinary income) marginal rate bracket represented 3.8 percent of the

³ The 2005 data are from Mudry, Kyle and Justin Bryan, "Individual Income Tax Rates and Shares, 2005," *Statistics of Income Bulletin*, Winter 2008, Volume 27, Number 3, pp. 8-47.

Individual Income Tax Rates and Shares, 2006

Statistics of Income Bulletin | Winter 2009

Figure C

Returns with Modified Taxable Income: Tax Generated at All Rates on Returns with the Indicated Marginal Tax Rate, Tax Year 2006

[Money amounts are in thousands of dollars]

Marginal tax rate classes	Number of returns		Modified taxable income		Tax generated	
	Number	Percent of total	Amount	Percent of total	Amount	Percent of total
	(1)	(2)	(3)	(4)	(5)	(6)
Total	106,658,774	100.0	5,580,354,544	100.0	1,061,283,363	100.0
5 percent	1,151,527	1.1	8,346,340	0.1	417,350	[1]
10 percent	25,752,688	24.1	138,754,410	2.5	13,365,867	1.3
10 percent (Form 8814) [2]	19,240	[1]	17,907	[1]	1,796	[1]
15 percent	41,304,877	38.7	1,069,736,810	19.2	137,673,528	13.0
15 percent (capital gains) [3]	8,639,561	8.1	536,927,394	9.6	70,077,993	6.6
25 percent	22,314,164	20.9	1,503,962,573	27.0	253,145,760	23.9
25 percent (capital gains)	442,189	0.4	80,060,597	1.4	13,260,613	1.2
28 percent	4,020,037	3.8	568,137,742	10.2	117,747,721	11.1
28 percent (capital gains)	71,581	0.1	11,294,494	0.2	2,078,922	0.2
33 percent	1,587,873	1.5	431,351,363	7.7	102,570,049	9.7
35 percent	1,002,051	0.9	1,226,989,916	22.0	350,015,255	33.0
Form 8615 [4]	352,987	0.3	4,774,997	0.1	928,508	0.1

[1] Less than 0.05 percent.

[2] Form 8814 was filed for a dependent child under age 18 for whom the parents made an election to report the child's investment income (if it was from interest, dividends, or capital gains totaling between \$850 and \$8,500) on the parents' income tax return. This rate classification is comprised of those returns with a tax liability only from the dependent's income.

[3] The 15 percent capital gains rate also includes qualified dividends.

[4] Form 8615 was filed for a child under age 18 to report the child's investment income in excess of \$1,700. The returns in this rate classification are not distributed by tax rate.

NOTE: Detail may not add to totals because of rounding.

total share of returns and accounted for 10.2 percent of modified taxable income and 11.1 percent of tax generated. Returns in the “33-percent” (ordinary income) marginal rate bracket represented the second smallest share of ordinary tax rate returns at 1.5 percent. It also accounted for 7.7 percent of modified taxable income, as well as 9.7 percent of tax generated. Returns in the capital gain and dividends, 15-percent, 25-percent, and 28-percent tax brackets represented 8.6 percent of returns (with modified taxable income), and reported a total of 11.3 percent of modified taxable income and 8.0 percent of tax generated.

As shown in Table 2, the total tax generated for 2006 at the 15-percent rate was more than any other rate. The 32.7 percent of income taxed at this rate was reported by 74.1 percent of returns with modified taxable income, producing 25.8 percent of tax generated. The 35-percent rate generated the next largest amount of income tax. Tax in that bracket was reported on only 0.9 percent of returns. However, 11.2 percent of all modified taxable income was taxed at this rate, generating 20.5 percent of tax generated. The 25-percent rate had the third largest

amount of tax generated. Tax in that bracket was reported on 27.5 percent of returns, with 14.1 percent of all modified taxable income taxed at this rate, generating 18.5 percent of tax generated.

Components of Total Income Tax

Regular Tax

Regular tax is generally tax determined from a taxpayer's taxable income based on statutory tax rates. It does not include the “alternative minimum tax” (AMT) nor does it exclude allowable tax credits. Figure D illustrates the derivation of the aggregate tax generated for 2005 and 2006 returns. Table 1 includes two tax amounts: “tax generated” and “income tax after credits.” Tables 5 through 8 and Figures A and B include an additional measure of tax, “total income tax,” which also includes distributed tax on trust accumulations.

As shown (Figure D and column 5 of Table 1), the tax generated by applying statutory ordinary income and capital gain tax rates to modified taxable income was \$1,061.3 billion, a 9.1-percent increase from 2005.⁴ For most taxpayers, tax generated was

⁴ Tax generated does not include certain other taxes reported on individual returns, such as self-employment tax (the Social Security and Medicare tax on income from self-employment), the Social Security tax on certain tip income, household employment taxes, tax from the recapture of prior-year investment, low-income housing, or other credits, penalty tax applicable to early withdrawals from an Individual Retirement Arrangement (IRA) or other qualified retirement plans, and tax on trusts, accumulation, and distributions. The statistics for “total tax liability,” shown in Bryan, Justin, “Individual Income Tax Returns: 2006,” *Statistics of Income Bulletin*, Fall 2008, Volume 28, Number 2, include these taxes.

Individual Income Tax Rates and Shares, 2006

Statistics of Income Bulletin | Winter 2009

equal to income tax before credits. However, for some taxpayers, income tax before credits included the alternative minimum tax (AMT) and/or special taxes on lump-sum distributions from qualified retirement plans (when a 10-year averaging method was used).⁵ The AMT increased sharply by 23.8 percent to \$21.6 billion for 2006.

Income tax before credits was \$1,082.9 billion for 2006, up from \$990.2 billion, representing a 9.4-percent increase from 2005. Taxpayers used \$58.9 billion of tax credits to reduce their income tax before credits. The earned income credit (EIC) is included in this computation to the extent that its application did not reduce income tax before credits below zero. Any portion of the EIC that is refundable to the taxpayer because it exceeds the taxpayer's liability and any portion of the EIC used to reduce taxes other than income taxes are excluded from the computation of income tax after credits.⁶ Income tax after credits (Figure D) totaled \$1,023.9 billion as did total income tax (the sum of income tax after credits and tax on trust accumulation distributions). These taxes both represented a 9.5-percent increase from 2005.

Table 4 provides estimates of income tax before credits by type of tax computation for returns with modified taxable income. For 2006, the number of returns with the Schedule D and qualified dividend tax computation increased 3.6 percent, from 21.7 million to 22.5 million. Along with this was an increase in income tax before credits and tax generated at these lower rates. These taxpayers paid \$107.2 billion (column 8) less in tentative taxes than they would have if they had not received the benefits of the lower capital gain and qualified dividend tax rates. This was up from the \$91.7 billion in savings from using these rates for 2005 (column 8). The average tax savings for those who had these capital gains rose from \$4,228 per return for 2005 to \$4,776 for 2006.

Tax Year 2006 saw an increase of 1.3 million returns that calculated taxes with a regular tax computation only. For 2006, the number of returns filed by children under age 18 with Form 8615 for reporting investment income over \$1,700 increased 149 per-

Figure D

Derivation of Tax Years 2005 and 2006 Total Income Tax as Shown in Statistics of Income

[Money amounts are in billions of dollars]

Item	2005	2006	Percentage change
	(1)	(2)	(3)
Tax generated from tax rate schedules or tax table	972.7	1,061.3	9.1
PLUS:			
Tax on lump-sum distributions from qualified retirement plans	[1]	[1]	[2]
Alternative minimum tax	17.4	21.6	23.8
EQUALS:			
Income tax before credits	990.2	1,082.9	9.4
LESS: Tax credits, total [3]	55.3	58.9	6.5
Child-care credit	3.5	3.5	0.7
Child tax credit [3]	32.0	31.7	-1.0
Education credit	6.1	7.0	14.8
Foreign tax credit	9.4	11.0	17.1
General business credit	0.9	1.3	48.4
Earned income credit (limited to the amount needed to reduce total income tax to zero)	0.7	0.8	7.0
Credit for prior-year minimum tax	1.1	1.0	-4.6
Retirement savings contribution credit	0.9	0.9	-5.4
Other credits [4]	0.7	1.7	152.0
EQUALS:			
Income tax after credits	934.8	1,023.9	9.5
PLUS: Trusts accumulation distribution	[1]	[1]	[2]
EQUALS:			
Total income tax	934.8	1,023.9	9.5

[1] Less than \$0.05 billion.

[2] Percentage not computed.

[3] Does not include the additional child tax credit that for 2006 was \$16.25 billion which was refunded to taxpayers and not included in total income tax.

[4] Includes the elderly or disabled credit, empowerment zone and community renewal employment credit, mortgage interest credit, adoption credit, DC first time home buyer's credit, nonconventional source fuel credit, and other credits.

NOTE: Detail may not add to totals because of rounding.

cent to just under 353 thousand. Using Form 8615 to compute their tax (as if their incomes were treated as the marginal incomes of their parents or guardians), these children generated just over \$885.7 million at their parents' rates (column 7) of tax revenue which is \$17.3 million (column 8) less than the \$903.0 million (column 6) of tax that would have been generated using ordinary tax computations at the children's rates.

Alternative Minimum Tax

The Revenue Act of 1978 established the alternative minimum tax to ensure that a minimum amount of income tax was paid by taxpayers who might otherwise be able to legally reduce, or totally eliminate, their tax burdens. The AMT provisions may recapitulate some of the tax reductions under the ordinary

⁵ The income amounts on which these special computations for lump-sum distributions were based were not reflected in current-year AGI or current-year taxable income.

⁶ For 2006, the total earned income credit was \$44.4 billion. This amount includes the amount used to reduce income tax (\$0.8 billion), the amount used to reduce other taxes reported on individual income tax returns (\$4.5 billion), and the amount refunded to taxpayers (\$39.1 billion). Table 4 in Bryan, Justin, "Individual Income Tax Returns: 2006," *Statistics of Income Bulletin*, Fall 2008, Volume 28, Number 2, shows these amounts.

Individual Income Tax Rates and Shares, 2006

Statistics of Income Bulletin | Winter 2009

income tax. Form 6251, *Alternative Minimum Tax—Individuals*, is used to calculate AMT (see *Computation of Alternative Minimum Taxable Income*).

Figure E presents statistics, by size of AGI, on AMT reported by taxpayers filing Form 6251 with their returns. Some taxpayers included Form 6251 even though their tax liabilities were not increased due to AMT. The tabulations in Figure E include such forms. For 2006, AMT liability rose 23.8 percent to \$21.6 billion from \$17.4 billion in 2005. However, the number of returns that were subject to AMT actually decreased by 38,216 for the period. Alternative Minimum Taxable Income (AMTI) increased 13.0 percent from 2005. In addition, AMT increased tax liability for some taxpayers who did

not have any AMT liability by limiting certain business tax credits.

Figure F shows the number of taxpayers with AMT liability and the amount of that liability for each of the years 1986 through 2006. Much of the variation in the number of taxpayers affected by AMT and in the amount of AMT liability during the mid-to-late 1980s and early 1990s was attributable to tax law changes such as TRA86, RRA90 (Revenue Reconciliation Act of 1990), and OBRA93, which altered AMT. Since then, the impact of AMT has increased partially because AMT exemptions have not been automatically indexed annually for the effects of inflation, whereas various parameters of the ordinary income tax (such as tax brackets, exemptions,

Figure E

Returns with Alternative Minimum Tax Computation Reported on Form 6251: Total Adjustments and Preferences, and Alternative Minimum Taxable Income and Tax, by Size of Adjusted Gross Income, Tax Years 2005 and 2006

[Money amounts are in thousands of dollars]

Size of adjusted gross income	Total adjustments and preferences [1]		Alternative minimum taxable income [1]		Alternative minimum tax	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)
Tax Year 2006						
All returns	7,649,456	193,574,256	8,681,086	2,171,427,757	3,966,540	21,564,586
Under \$1 [2]	100,438	2,059,227	130,121	-9,237,984	6,751	184,922
\$1 under \$10,000	115,896	180,034	340,907	924,822	3,226	2,594
\$10,000 under \$20,000	146,532	313,176	300,401	3,243,402	3,055	4,785
\$20,000 under \$30,000	191,041	554,570	308,991	6,368,615	4,180	14,627
\$30,000 under \$40,000	189,913	891,725	287,734	8,425,735	3,811	11,992
\$40,000 under \$50,000	228,166	1,338,984	297,476	11,597,576	7,816	17,190
\$50,000 under \$75,000	687,982	6,009,902	821,835	44,535,540	87,680	105,899
\$75,000 under \$100,000	699,213	7,455,989	762,821	57,955,216	129,240	180,430
\$100,000 under \$200,000	2,181,882	37,335,931	2,261,719	296,296,237	1,096,666	2,128,778
\$200,000 under \$500,000	2,470,712	62,142,281	2,519,195	674,603,146	2,242,146	10,982,445
\$500,000 under \$1,000,000	411,222	21,511,690	420,183	260,007,906	284,262	3,230,498
\$1,000,000 or more	226,457	53,780,747	229,704	816,707,547	97,710	4,700,425
Tax Year 2005						
All returns	7,433,534	174,509,523	8,270,156	1,922,027,257	4,004,756	17,421,071
Under \$1 [2]	96,769	1,473,947	131,785	-8,129,282	6,152	137,419
\$1 under \$10,000	115,963	279,577	314,427	1,023,238	2,739	10,585
\$10,000 under \$20,000	180,647	417,569	301,303	3,231,288	924	2,075
\$20,000 under \$30,000	174,965	576,229	266,899	5,261,458	3,989	8,236
\$30,000 under \$40,000	193,244	807,603	245,302	6,877,303	2,806	9,267
\$40,000 under \$50,000	230,223	1,428,357	273,595	10,617,629	20,439	29,940
\$50,000 under \$75,000	707,022	6,165,540	822,719	44,814,981	127,175	128,416
\$75,000 under \$100,000	687,090	7,946,629	730,989	55,644,816	180,455	266,632
\$100,000 under \$200,000	2,364,847	40,373,226	2,434,996	316,140,733	1,453,782	2,661,737
\$200,000 under \$500,000	2,152,921	54,598,446	2,202,913	586,897,315	1,934,237	8,842,035
\$500,000 under \$1,000,000	337,485	17,779,102	347,968	215,844,422	201,570	2,333,727
\$1,000,000 or more	192,359	42,663,296	197,259	683,803,357	70,487	2,991,005

[1] See Figures I and J for the calculation of alternative minimum taxable income and the list of alternative minimum tax adjustments and preferences.

[2] Includes returns with adjusted gross deficit.

NOTE: Detail may not add to totals because of rounding.

Individual Income Tax Rates and Shares, 2006

Statistics of Income Bulletin | Winter 2009

Figure F

Alternative Minimum Tax, Tax Years 1986-2006

[Tax rates are in percentages—money amounts are in thousands of dollars]

Tax year	Highest statutory alternative minimum tax rate	Alternative minimum tax	
		Number of returns	Amount
	(1)	(2)	(3)
1986	20	608,907	6,713,149
1987	21	139,779	1,674,898
1988	21	113,562	1,027,884
1989	21	117,483	831,012
1990	21	132,103	830,313
1991	24	243,672	1,213,426
1992	24	287,183	1,357,063
1993	28	334,615	2,052,790
1994	28	368,964	2,212,094
1995	28	414,106	2,290,576
1996	28	477,898	2,812,746
1997	[1] 28	618,072	4,005,101
1998	[1] 28	853,433	5,014,549
1999	[1] 28	1,018,063	6,477,697
2000	[1] 28	1,304,197	9,600,840
2001	[1] 28	1,120,047	6,756,705
2002	[1] 28	1,910,789	6,853,901
2003	[1] 28	2,357,975	9,469,803
2004	[1] 28	3,096,299	13,029,239
2005	[1] 28	4,004,756	17,421,071
2006	[1] 28	3,966,540	21,564,586

[1] Top rate on most long-term capital gains was 20 percent, for 2003-06, 15 percent.

etc.) have been indexed annually for inflation. In both EGTRRA in 2001 and JGTRRA in 2003, AMT exemptions were increased, while ordinary tax rates declined. For 2004, 2005, and 2006, AMT levels rose to \$13.0 billion, \$17.4 billion, and \$21.6 billion respectively.

The amount in 2006 set the all-time high paid by individual taxpayers, surpassing the previous high set last year. This marks the fifth consecutive year of increases in AMT levels. Since 2001, the generated amount of AMT has increased by a total of 219.2 percent. Also, during this same time, the number of returns paying AMT has more than tripled from 1.1 million to 4.0 million.

Income and Tax Shares

Historical statistics from 1986 through 2006 on income and tax by cumulative percentiles (based on numbers of returns) are presented in Tables 5 through 8. Distributions of AGI, as defined for each year, and tax or income item, by descending and ascend-

ing cumulative percentiles of returns, are presented in Tables 5 and 6. These tables can be used to make comparisons across cumulative percentile classes within each year, among tax years beginning in 1986.

Tables 5 and 7 are based on percentiles of returns cumulated downward from the highest-income returns. The data in Tables 5 and 7 are shown for the top 1 percent, 5 percent, 10 percent, 25 percent, and 50 percent of returns. Tables 6 and 8 are based on returns cumulated upward from the lowest-income returns. Data are shown for the bottom 50 percent, 75 percent, 90 percent, 95 percent, and 99 percent of all returns.

Consider, for example, the data in Table 5 for the 135.7 million returns filed for 2006 with positive AGI.⁷ The average tax rate for these returns was 12.6 percent, a 0.15-percentage point increase from 2005. (A sizable portion of returns with positive AGI are nontaxable, accounting for the difference in the computation of this particular average tax rate versus the 13.8-percent average tax rate for taxable returns only. See Figure A.) The average tax rate increased for the third year in a row after having fallen for 3 previous years, bottoming out at 11.9 percent in 2003.

Despite 3 years of overall tax rate increases, the average tax rate paid by the top 1 percent has decreased for the past 5 years, while the rates paid by the top 10 percent, 25 percent, and 50 percent all increased from 2005. The top 1 percent, 5 percent, 10 percent, 25 percent, and 50 percent all also recorded a larger share of the income tax burden than their respective shares of AGI. For 2006, returns in the top 1 percent reported 22.1 percent of total AGI and 39.9 percent of income tax. The amount of AGI needed for inclusion in this percentile group (i.e., the AGI floor) was \$388,806. For 2005, the returns in this percentile group (i.e., those with at least \$364,657 in AGI) reported 21.2 percent of total AGI and 39.4 percent of total income tax.

For 2006, returns in the top 5-percent group (returns reporting AGI of \$153,542 or more) reported 36.7 percent of total AGI and 60.1 percent of income tax, compared to 35.7 percent and 59.7 percent, respectively, for 2005 (when the AGI floor was \$145,283). For 2006, returns in the top 10-percent group (returns with AGI of at least \$108,904) earned 47.3 percent of AGI and paid 70.8 percent of income

⁷ The percentile groupings of tax filers exclude returns with zero or negative AGI.

Individual Income Tax Rates and Shares, 2006

Statistics of Income Bulletin | Winter 2009

tax. For 2006, returns in this percentile group (with AGI of \$103,912 or more) reported 46.4 percent of total AGI and 70.3 percent of income tax. The top 50-percent group (earning \$31,987 or more) accounted for 87.5 percent of income and paid almost all (97.0 percent) of the income tax for 2005.

The statistics by percentile in Tables 5 and 6 for years prior to 1991 and in Tables 7 and 8 for years prior to 1994 were estimated, using a mathematical technique called “osculatory interpolation,” applied to aggregated data tabulated by income-size classes, in order to distribute tax returns within each class.⁸ For 1991 and later years, the statistics by percentiles in Tables 5 and 6, and Tables 7 and 8 for 1994 through 2006 were computed based on an actual ranking of returns in the statistical sample that served as the basis for Individual Statistics of Income estimates. Differences under the two methods were judged to be minor enough so that pre-1991 and post-1990 data are believed to be comparable.

Explanation of Selected Terms

This appendix provides brief explanations of the major tax concepts discussed. For more extensive definitions, see *Individual Income Tax Returns 2006*, Statistics of Income Division, Internal Revenue Service, Publication 1304.

Adjusted gross income—Adjusted gross income is “total income,” as defined by the Tax Code, less “statutory adjustments” (primarily business, investment, or certain other deductions, such as payments to a Keogh self-employed retirement plan, certain deductible contributions to an Individual Retirement Arrangement (IRA), self-employed health insurance deductions, and one-half of Social Security taxes for the self-employed). Total income includes, for example, salaries and wages, taxable interest, dividends, alimony, and net amounts from such sources as business income, rents and royalties, and sales of capital assets.

Difference due to special tax computation—For this article, the tax difference is the amount of tax resulting from using provisions of one of the special tax computations (Form 8615 or Schedule D and qualified dividends) less the amount of tax that would have resulted from not having used any of these provisions (regular tax computation).

Dividends—Ordinary dividend income consisted of distributions of money, stock, or other property received by taxpayers from domestic and foreign corporations, either directly or passed through estates, trusts, partnerships, or regulated investment companies. Ordinary dividends also included distributions from money market mutual funds.

Ordinary dividends did not include nontaxable distributions of stock or stock rights, returns of capital, capital gains, or liquidation distributions. Taxpayers were also instructed to exclude amounts paid on deposits or withdrawable accounts in banks, mutual savings banks, cooperative banks, savings and loan associations, and credit unions, which were treated as interest income.

Qualified dividends are the ordinary dividends received in tax years beginning after 2002 that met certain conditions. These conditions include: the dividend must have been paid by a U.S. corporation or a “qualified” foreign corporation; the stock ownership must have met certain holding period requirements; the dividends were not from certain institutions, such as mutual savings banks, cooperative banks, credit unions, tax-exempt organizations, or farmer cooperatives; and the dividends were not for any share of stock which was part of an employee stock ownership plan (ESOP). The maximum tax rate for qualified dividends was 15 percent generally (or 5 percent for amounts that would otherwise have been taxed at the 10-percent or 15-percent regular income rate).

Form 8615 tax computation—Form 8615 was used to compute the tax on investment income of children under age 18 who had investment income of more than \$1,700. Generally, such income was taxed as the marginal income of the parents. Before 2006, this form was only for children under the age of 14.

Income tax before credits—This amount consisted of the tax liability on taxable income, computed by using the tax tables, tax rate schedules, Schedule D tax worksheet, foreign-earned income tax worksheet, Schedule J, or Form 8615, plus Form (s) 8814, any additional taxes from Form 4972, and the alternative minimum tax.

Income tax before credits (regular tax computation)—This amount consisted of the tax liability on ordinary income, computed by using the tax table or applying the rates from one of the four tax rate

⁸ For an explanation of the osculatory interpolation technique, see Oh, H. Lock (1978), “Osculatory Interpolation with a Monotonicity Constraint,” 1977 *Proceedings of the American Statistical Association, Section on Statistical Computing*.

Individual Income Tax Rates and Shares, 2006

Statistics of Income Bulletin | Winter 2009

schedules, plus any additional tax (tax on lump-sum distributions from qualified retirement plans). When Form 8615 tax was payable on investment income of children, for this concept, all the income was taxed at the child's rate rather than at the rate of the parents. When Schedule D tax was payable on net long-term capital gains, the tax was based on the regular tax rates rather than the 5-percent, 15-percent, 25-percent, or 28-percent tax rate for capital gains. When tax was payable on a qualified dividend, the tax was based on regular tax rates instead of the maximum tax rate for qualified dividends, 15 percent (5 percent for amounts that would otherwise have been taxed in the 10-percent tax bracket). This is in contrast to the computation of Income Tax Before Credits (see above), in which special tax computations such as those involved on Form 8615, Schedule D and qualified dividends are taken into account. See Table 4.

Marginal tax rate—See *Income and Tax Concepts*.

Modified taxable income—See *Income and Tax Concepts*.

Regular tax computation—Depending on marital status and size of taxable income, the taxpayer used one of the four tax rate schedules (or an approximation from the tax table) to determine tax. Returns of taxpayers who had taxes computed by the Internal Revenue Service were classified under the regular tax computation method.

Schedule D and qualified dividend tax computation—Schedule D was used to compute the 5-percent, 15-percent, 25-percent, and 28-percent taxes on net long-term capital gains (in excess of net short-term capital losses) if such computations were beneficial to the taxpayer. Any investment interest allocated to long-term capital gains (on Form 4952) was excluded from this computation. Qualified dividends were taxed at a maximum tax rate of 15 percent (5 percent for amounts that would otherwise have been taxed in the 15-percent bracket).

Taxable income—Taxable income is AGI less the sum of personal exemption amounts and either the standard deduction for nonitemizers or total itemized deductions. The amounts for personal exemptions and total itemized deductions are net of any reduc-

tions because of taxpayers' incomes exceeding certain income thresholds.

Taxable returns—A return is classified as "taxable" based on the presence of "total income tax." The following additional taxes were not taken into account for this purpose: self-employment, household employment, Social Security, Railroad Retirement Tax Act (RRTA) taxes, tax from recomputing prior-year investment, low-income housing and a few other business credits, penalty taxes on Individual Retirement Arrangements, section 72 penalty taxes, advance earned income credit payments, or "golden parachute" payments (made to key employees as compensation under certain circumstances).

Tax generated—This is the amount of tax computed on modified taxable income either from the tax rate schedules or the tax table. Tax generated does not take into account the alternative minimum tax or the effect of tax credits. For most returns (those without the special tax on lump-sum distributions from qualified retirement plans or alternative minimum tax), tax generated equals "income tax before credits."

Total income tax—This is the sum of income tax after credits and tax on accumulated trust distribution from Form 4970, less the portion of EIC used to offset other taxes as well as the refundable portion of EIC (with tax limited to zero).

Income Tax Structure

Taxpayers must file an income tax return if they meet certain minimum filing requirements. The filing requirements for 2006 generally were based on the amount of "gross income," filing status, age, dependency, and blindness.⁹ Generally, the minimum level of income for which a return was required to be filed equaled the sum of the standard deduction for the particular filing status and the amount of the personal exemption deduction allowed for the taxpayer or taxpayers (but not for any dependents). In addition to the general filing requirements, individuals were required to file a return for Tax Year 2006 if they had net earnings from self-employment of at least \$400; liability for Social Security or Medicare tax on unreported tip income; Social Security, Medicare, or Rail-

⁹ Taxpayers fall into one of five filing statuses: single; married filing jointly; married filing separately; head of household; or surviving spouse. Being age 65 or older or being legally blind affects the amount of the standard deduction and, hence, the filing requirements. Taxpayers who are (or could be) dependents of other taxpayers have different filing requirements. For more information on general filing requirements, see Bryan, Justin, "Individual Income Tax Returns: 2006," *Statistics of Income Bulletin*, Fall 2008, Volume 28, Number 2.

Individual Income Tax Rates and Shares, 2006

Statistics of Income Bulletin | Winter 2009

road Retirement tax on reported tip income or group-term life insurance; “alternative minimum tax”; tax on qualified retirement plan distributions, including an Individual Retirement Arrangement (IRA) or a Medical Savings Account (MSA); recapture tax on investment credit, low-income housing credit, or a few other business credits; recapture tax on the disposition of a home purchased with a Federally subsidized mortgage; any advance earned income credit payments; or wages of \$108.28 or more from a church or qualified church-controlled organization that was exempt from Social Security taxes.

Gross income includes all income received as money, goods, property, or services that was not expressly exempt from tax.¹⁰ Adjusted gross income (AGI) is equal to gross income less deductions for certain expenses.¹¹ “Taxable income,” the base on which income tax before credits is computed, equals AGI less the amount for personal exemptions and less either total allowable itemized deductions for taxpayers who itemize deductions, or the standard deduction (including the additional amounts for age and blindness) for all other taxpayers.

Income tax before credits is calculated from taxable income using: tax tables or tax rate schedules, both of which vary with taxpayer filing status (single, married filing jointly, surviving spouse, married filing separately, and head of household); Form 8615 or Form 8814 for children’s investment income; Schedule J for farmers and fishermen to income-average; foreign-earned income worksheet; Schedule D and Qualified Dividends worksheet for net long-term capital gains and qualified dividends; or some combination of the above. For 2006, the tax rates for each filing status were 5 percent, 10 percent, 15 percent, 25 percent, 26 percent, 28 percent, 33 percent, and 35 percent. The tax rates of 5 percent and 15 percent were used for net long-term capital gains (in excess of net short-term capital losses). The 26-percent tax rate was only for the alternative minimum tax.

Income tax before credits includes any alternative minimum tax.¹²

To calculate their Federal income tax liability for 2006, taxpayers used either the tax table or the tax rate schedules. Taxpayers with taxable income less than \$100,000 were required to use the tax table, while those with taxable income of \$100,000 or more were required to use the tax rate schedules. The tax table was based on income tax “brackets” up to \$50 wide.¹³ The tax within each bracket was based on the tax calculated at the midpoint of the bracket and then rounded to the nearest whole dollar. As a result, the tax tables and the tax rate schedules could produce different amounts of tax for the same amount of taxable income. Use of the tax tables could have produced either a slightly higher or lower amount of tax than that produced by the tax rate schedules. For taxpayers using the tax tables with taxable income that was subject to the 33-percent marginal rate, the maximum difference in tax between the tax rate schedules and the tax table was \$8.25.¹⁴ However, for most taxpayers, the actual difference in tax was smaller.

Changes in Law for 2006

Additional child tax credits—Modifications were made to the additional child tax credit for 2006. In Tax Year 2005, the credit limit based on earned income was 15 percent of a taxpayers’ earned income that exceeded \$11,000. For 2006, the limit was 15 percent of a taxpayer’s earned income that exceeded \$11,300.

Alternative minimum tax (AMT)—For Tax Year 2006, the minimum exemption rose to \$62,550 for a married couple filing a joint return, up from \$58,000 in 2005, and to \$42,500 for singles and heads of household, up from \$40,250, and to \$31,275 for a married person filing separately, up from \$29,000.

Earned income credit (EIC)—The maximum amount of the earned income credit increased, as

¹⁰ As defined under section 61 of the Internal Revenue Code, gross income includes amounts from wages and salaries, interest and dividends, alimony, bartering income, canceled debt income, gambling winnings, rents and royalties, and gains from property sales or exchanges, as well as gross income from sole proprietorships and farming, income from partnerships and S corporations, and distributions from estates and trusts. This definition of gross income is slightly different from the Form 1040, U.S. Individual Income Tax Return, concept of “total income,” which is a component of the adjusted gross income (AGI) calculation on Form 1040. Total income includes net amounts rather than gross amounts (income prior to deductions) from such items as business income and rents and royalties.

¹¹ As defined under Internal Revenue Code section 62, deductible expenses are those incurred in the course of a trade or business or in connection with rents and royalties; losses from property sales or exchanges; and certain statutory adjustments, such as deductible contributions to an IRA or Keogh plan, moving expenses, the health insurance deduction for certain self-employed taxpayers, or one-half of self-employment tax.

¹² Income tax before credits includes tax on lump-sum distributions from qualified retirement plans.

¹³ For taxable income between \$0 and \$5 and between \$5 and \$25, the tax brackets were \$5 and \$10 wide, respectively. For taxable income between \$25 and \$3,000, the brackets were \$25 wide. For taxable income above \$3,000, the brackets were \$50 wide.

¹⁴ For example, assume a taxpayer filing as “married filing separately” reported taxable income of \$98,000. Using the tax table, the tax would be \$22,339, but, using the tax rate schedules, the tax would be \$22,330.75, a difference of \$8.25.

Individual Income Tax Rates and Shares, 2006

Statistics of Income Bulletin | Winter 2009

did the amounts of earned income and investment income an individual could have and still claim the credit. The maximum amount of investment income (interest, dividends and capital gain income) a taxpayer could have and still claim the credit increased to \$2,800 from \$2,700. The maximum credit for taxpayers with no qualifying children increased to \$412 from \$399. For these taxpayers, earned income and AGI had to be less than \$12,120 (\$14,120 if married filing jointly) to get any EIC. For taxpayers with one qualifying child, the maximum credit increased \$85 to \$2,747, and, for taxpayers with two or more qualifying children, the maximum credit increased to \$4,536 from \$4,400. To be eligible for the credit, a taxpayer's earned income and AGI had to be less than \$32,001 (\$34,001 for married filing jointly) for one qualifying child, or less than \$36,348 (\$38,348 for married filing jointly) for two or more qualifying children.

Exemption amount—For Tax Year 2006, the exemption amount increased by \$100 to \$3,300. Taxpayers could have lost a portion of their exemption benefits if their adjusted gross incomes were above certain amounts (\$112,875 for married persons filing separately, \$150,500 for single individuals, \$188,150 for heads of household, and \$225,750 for married persons filing jointly or qualifying widow(er)s). For 2006, taxpayers could lose no more than two-thirds of the dollar amount of their exemptions, so that the amount of each exemption could not be reduced to less than \$1,100. For 2005 and previous years, exemption amounts could be reduced to zero.

Federal telephone excise tax credit—Taxpayers who were billed after February 28, 2003, and before August 1, 2006, for Federal telephone excise tax on long distance or bundled telephone service may have taken a credit or refund for Tax Year 2006. Individuals were eligible to receive this credit even if they owed no tax or if they had not received a refund of this excise tax from their service providers. Taxpayers could request the standard amount of the credit based on the number of exemptions claimed on their returns (number of exemptions: 0 = \$0, 1 = \$30, 2 = \$40, 3 = \$50, 4 or more = \$60) or the actual amount shown on their bills. Individuals who did not otherwise have to file an income tax return filed Form 1040EZ-T, *Request for Refund of Federal Telephone Excise Tax*, in order to obtain their refunds. A total of 742,859 Form 1040 EZ-T returns were filed for

Tax Year 2006, and a total of 96.9 million taxpayers claimed the tax credit for a total of \$4.2 billion.

Foreign-earned income—Taxpayers who claimed the foreign-earned income exclusion or the foreign housing deduction on Form 2555, *Foreign-Earned Income*, had to use the foreign-earned income tax worksheet to figure their tax. Taxpayers had to refigure their tax on nonexcluded income using the tax tables that would have applied had they not claimed the exclusion. This change in the law affected 138.9 thousand taxpayers for Tax Year 2006, and they had to pay an additional \$806.5 million in taxes because of this.

General business credits—The Energy Tax Incentives Act of 2005 and the Safe, Accountable, Flexible, Efficient Transportation Act of 2005 provided tax incentives for energy-efficient buildings and appliances, alternative and clean fuel vehicle credits, and other incentives and credits related to energy production and excise taxes.

Health savings account deduction—The deduction was limited to the annual deductible on the qualifying high-deductible health plan, but not more than \$2,700 (\$5,450 if family coverage), an increase from \$2,650 (\$5,250 if family coverage) in 2005. These limits were \$700 higher if the taxpayer was age 55 or older (\$1,400 if both spouses were 55 or older). For 2005, these higher amounts for age 55 or older were \$600 and \$1,200 respectively.

Indexing—The following items increased due to indexing for inflation: personal exemption amounts, the basic standard deduction amounts, the tax bracket boundaries, and the beginning income amounts for limiting certain itemized deductions and for the partial phaseout of personal exemptions. The maximum amount of earnings subject to self-employment tax increased based on the percentage change in average covered earnings.

Individual retirement arrangement deduction—For 2006, a taxpayer or both taxpayers for taxpayers filing jointly were able to take an IRA deduction up to \$4,000 (\$5,000 if age 50 or older—up from \$4,500 for 2005) if not covered by a retirement plan, or if covered by a retirement plan but their modified AGI was less than \$60,000 (\$85,000 if married filing jointly or qualifying widow(er)). This was up from \$80,000 if married filing jointly or qualifying widow(er) for 2005. Military members serving in combat zone localities could count tax-free combat

Individual Income Tax Rates and Shares, 2006

Statistics of Income Bulletin | Winter 2009

pay in figuring how much to contribute to a Roth or traditional IRA. This allowed members of the military with no taxable earned income to make contributions, unlike in previous years.

Itemized deductions—If a taxpayer's AGI was greater than \$150,500 (\$75,250 if married filing separately), his or her itemized deductions may have been limited; the threshold was increased from \$145,950 (\$72,975 if married filing separately) for 2005, as a result of inflation indexing. The limitation did not apply to deductions for medical and dental expenses, investment interest expenses, casualty or theft losses, and gambling losses; all other deductions were subject to the limitation. To arrive at allowable itemized deductions, total itemized deductions were reduced by the smaller of: (a) 53.33 percent of the nonexempt deductions, or (b) 2 percent of the amount of AGI in excess of the limitation threshold. For Tax Year 2006, this reduction was only two-thirds of the amount of the reduction that would have otherwise applied for 2005.

Katrina Emergency Tax Relief Act of 2005—The Katrina Emergency Tax Relief Act of 2005 provided an additional exemption of \$500 in years 2005 or 2006 for each Hurricane Katrina-displaced individual claimed by the taxpayer. The total additional exemption claimed for all years cannot exceed: \$2,000 for married taxpayers filing jointly, \$1,000 for married taxpayers filing separately, and \$2,000 for all other taxpayers. A Hurricane Katrina-displaced individual is a person (1) whose main home on August 28, 2005, was in the Hurricane Katrina disaster area, (2) who is displaced from that home, and (3) who is provided housing free of charge in the taxpayer's main home for a period of 60 consecutive days which end in the taxable year in which the exemption is claimed. The additional exemption is not subject to the income-based phaseouts applicable to personal exemptions, and is allowed as a deduction in computing alternative minimum taxable income.

Kiddie tax—For Tax Year 2006, the age limit for children who received taxable income and needed to figure tax using their parents' higher marginal rates increased from 14 to 18. Also, the amount of taxable investment income a child could have before being taxed at the parents' rate rose to \$1,700, up from \$1,600. Due to this change, approximately 353.0

thousand taxpayers generated taxes of \$885.7 million at their parents' rates in 2006 compared to 2005 when 141.6 thousand taxpayers generated \$419.4 million.

Residential energy credit—For 2006, taxpayers could receive a 10-percent credit for buying qualified energy efficiency improvements for their main homes. The maximum credit was \$500, and no more than \$200 of the credit could be attributable to expenses for windows. Over 4.3 million taxpayers claimed this credit for a total of \$1.0 billion.

Income and Tax Concepts

As discussed in the *Income Tax Structure* section, gross income is all income received that is not specifically excluded. Total income is the net amount of gross income after certain expenses (i.e., business or rent and royalty expenses) have been deducted. Adjusted gross income (AGI) is total income less statutory adjustments to income (i.e., deductible contributions to an IRA or Keogh plan).

1979 Income Concept

To analyze changes in income and taxes over a period of years, a consistent definition of income should be used. Because the components of AGI may vary from year to year as the law changes, the "1979 Income Concept" was developed to provide a more uniform measure of income across tax years. By including the same income and deduction items in each year's income calculation and using only items available on Federal individual income tax returns, the definition of the 1979 Income Concept is consistent throughout the base years and can be used for future years to compare income by including only income components common to all years.

Tax Years 1979 through 1986 were used as base years in identifying the income and deduction items included in this concept. The 1979 Income Concept applied to 2005 includes many income and deduction items that are also components of AGI (Figure G). However, unlike AGI, the 1979 Income Concept also includes some nontaxable (i.e., tax-exempt) amounts of income reported on individual income tax returns and disallowed passive loss deductions. In addition, only straight-line deductions for depreciation are included in the 1979 Income Concept.¹⁵

¹⁵ For more details on the income computation under the 1979 Income Concept for 2006, see *Individual Income Tax Returns 2006*, Statistics of Income Division, Internal Revenue Service, Publication 1304.

Individual Income Tax Rates and Shares, 2006

Statistics of Income Bulletin | Winter 2009

Figure G

Components of the 1979 Income Concept, Tax Year 2006

Income or loss:

- Salaries and wages [1]
- Interest [1]
- Dividends [1]
- Taxable refunds [1]
- Alimony received [1]
- Capital gain distributions not reported on Schedule D [1]
- Capital gains reported on Schedule D minus allowable losses [1]
- Other gains and losses (Form 4797) [1]
- Business net income or loss [1]
- Farm net income or loss [1]
- Rent net income or loss [1]
- Royalty net income or loss [1]
- Partnership net income or loss [1]
- S corporation net income or loss [1]
- Farm rental net income or loss [1]
- Estate or trust net income or loss [1]
- Unemployment compensation [1]
- Depreciation in excess of straight-line depreciation [2]
- Total pension income [3], [4]
- Other net income or loss [5]
- Net operating loss [1]

Deductions:

- Disallowed passive losses (Form 8582) [6]
- Moving expenses [1]
- Alimony paid [1]
- Unreimbursed business expenses [6]

[1] Included in adjusted gross income (less deficit) (AGI) for Tax Year 2006.

[2] Adjustment to add back excess depreciation (accelerated over straight-line depreciation) deducted in the course of a trade or business and included in net income (loss) amounts shown above.

[3] Includes taxable and tax-exempt pension and retirement distributions, including IRA distributions.

[4] Not fully included in AGI for Tax Year 2006.

[5] Includes an adjustment to add back amounts reported for the "foreign-earned income exclusion."

[6] Not included in AGI for Tax Year 2006.

Modified Taxable Income

This concept is relevant only for "prior-year returns" (about 4.5 million returns) or certain farm sole proprietor returns using income-averaging on Schedule J (about 45 thousand returns) or those returns with foreign-earned income having to use a worksheet to determine their taxes (about 138.9 thousand returns). For all other returns, modified taxable income is identical to taxable income.

This is the term used in the statistics to describe "income subject to tax," the actual base on which tax is computed. Each year, a small number of returns for prior tax years are filed during the same calendar year in which the tax returns for the current tax year are being selected for the *Statistics of Income* sample. Some of these returns are selected for the sample and act as proxies for returns for the current tax year that will be filed during a later calendar year.

The tax on these returns is based on a previous year's tax law (which may reflect different tax rates and income concepts). For the statistics in this article, the taxable incomes reported on these prior-year returns and those filed with a Schedule J or foreign-earned income are modified to equal an amount necessary to generate the tax actually shown on these returns using current-year rates.

Marginal Tax Rates

Under the progressive U.S. income tax rate structure, different portions of taxable income are taxed at different rates. Figure H illustrates how income tax is determined for a single taxpayer with AGI of \$407,000 who used the standard deduction. As shown in the example, six different tax rates were applied to the taxable income to arrive at total tax. The first \$7,550 of taxable income were taxed at the 10-percent rate; the next \$23,100 of taxable income were taxed at the 15-percent rate; the next \$43,550 were taxed at the 25-percent rate; the next \$80,600 were taxed at the 28-percent rate; the next \$181,750 were taxed at the 33-percent rate; and the remaining \$64,200 were taxed at the 35-percent rate. For purposes of this article, the tax rate applied to the last dollar of income (given certain assumptions about which source of income provided the last dollar of income subject to tax) is the marginal tax rate for that return. In the example, the marginal tax rate is 35 percent.

Figure H

Income Tax Calculation for a Single Taxpayer With One Exemption Who Used the Standard Deduction, Tax Year 2006

[Money amounts are in dollars]

Item	Amount
Adjusted gross income	407,000
Less: Exemption	[1] 1,100
Standard deduction	5,150
Equals: Taxable income	400,750
Tax based on tax rates for single taxpayers:	
First \$7,550 taxed at 10 percent	755
Next \$23,100 taxed at 15 percent	3,465
Next \$43,550 taxed at 25 percent	10,887.50
Next \$80,600 taxed at 28 percent	22,568
Next \$181,750 taxed at 33 percent	59,977.50
Next \$64,200 taxed at 35 percent	22,470
Total tax from tax rate schedule	120,123

[1] The exemption amount was limited to \$1,100 because AGI exceeded \$273,000.

Individual Income Tax Rates and Shares, 2006

Statistics of Income Bulletin | Winter 2009

Since the individual income tax structure includes various types of income, deductions, exclusions, credits, and taxes which are not subject to the same treatment under tax laws, the marginal tax rate is not always apparent. For instance, investment income of a dependent under age 18 in excess of a specific amount is treated differently than salaries and wages of the same dependent. The investment income in excess of \$1,700 was taxed at the marginal tax rate of the parents, whereas the salaries and wages were taxed at the dependent's own rate.

Calculating marginal tax rates for a specific individual income tax return generally depends both on the types and amounts of income reported and the assumptions made about the order in which the income is taxed, in particular, which type of income is assumed to be received "last." Additional complexity is added by the presence of such items as the alternative minimum tax and various tax credits.

For this article, it is assumed that the income taxed at the marginal (highest) rate was the "last" income received. The alternative minimum tax and income tax credits, such as the earned income credit, are excluded in determining the marginal tax rates. The marginal tax rate is defined as follows:

- (1) If a return showed taxable income, the marginal tax rate of the return was the highest rate at which any amount of taxable income reported on the return was taxed.
- (2) If the return had no taxable income except for net long-term capital gains or qualified dividends and that amount was less than or equal to the 15-percent tax bracket limit, the return was defined as having a "5-percent" marginal tax rate. If the return had taxable income (from other than net long-term capital gains) to which only the 15-percent tax rate applied, as well as net long-term capital gains to which the 25-percent rate on the net gain applied, the return was defined as having a marginal tax rate equal to the maximum rate at which the net gains were taxed. If the return had taxable income (from other than net long-term capital gains) to which the 25-percent tax rate applied as the highest rate, as well as net long-term capital gains

to which the maximum 28-percent rate on net gain applied, the return was defined as having a "28-percent" marginal tax rate. However, if the return had taxable income (from other than net long-term capital gains) above the maximum amount to which the 25-percent applied, as well as net long-term capital gains to which the 28-percent rate on the net gain applied, the return was classified as having the highest rate at which any amount of taxable income reported on the return was taxed.

- (3) For returns of dependents with a Form 8615 attached when the use of this form resulted in the taxation of some of the dependent's income as if it were that of the parents, the return was classified as having a "Form 8615" marginal tax rate (the returns in the Form 8615 classification are not distributed by tax rate).
- (4) For returns of parents choosing to report interest, dividend, and capital gain distribution income of their dependents under age 18 on their own (i.e., the parents') returns using Form 8814, when the dependent's income generated the only tax liability on the parent's return, the return was classified with a "Form 8814" marginal tax rate of 10 percent.

The classification of returns into marginal tax rate categories for Statistics of Income purposes was essentially a function of filing status, size of taxable income, presence of net long-term capital gains (in excess of net short-term capital losses) and/or qualified dividends, and presence of Form 8615 or Form 8814. Returns were classified into one of the following twelve mutually exclusive marginal tax rate categories: (1) 5-percent rate (capital gains); (2) 10-percent rate; (3) Form 8814 (10-percent rate with no tax liability other than that generated by the dependent's income); (4) 15-percent rate; (5) 15-percent (capital gains); (6) 25-percent rate; (7) 25-percent (capital gains); (8) 28-percent rate; (9) 28-percent (capital gains); (10) 33-percent rate; (11) 35-percent rate; and (12) Form 8615 (with income taxed at any rate).¹⁶

Table 1 presents statistics by marginal tax rate classification and filing status for returns with modi-

¹⁶ For some taxpayers, the statutory marginal tax rate may differ from the effective marginal tax rate. For example, extra income received by certain taxpayers may result in the partial phaseout of their personal exemptions, as well as some of their itemized deductions. Therefore, an extra \$1 of income could add more than \$1 of taxable income. While this taxpayer could face a statutory marginal tax rate of 35 percent, the effective marginal rate faced by the taxpayer would be somewhat higher.

Individual Income Tax Rates and Shares, 2006

Statistics of Income Bulletin | Winter 2009

fied taxable income. For each marginal rate classification, modified taxable income and “income tax generated” were computed “at all rates” and “at marginal rate.” The “at all rates” computations (columns 3 and 5) show the total amounts of modified taxable income or tax generated, tabulated by the marginal tax rate specified; each tax rate classification is mutually exclusive. The “at marginal rate” computations (columns 4 and 6) show the specific amounts of modified taxable income taxed and the tax generated at the marginal tax rate shown, for all returns in each of the marginal rate classifications. The alternative minimum tax was not included in the statistics by marginal tax rate.

For example, consider returns in the “joint returns and returns of surviving spouses” filing status that were included in the “35-percent” marginal tax rate classification. The total modified taxable income for the estimated 845,900 returns in this classification “at all rates” was \$1,021.5 billion (column 3), and the total tax generated was \$290.9 billion (column 5). Approximately \$514.4 billion (column 4) of the modified taxable income were subject to tax at the marginal tax rate of 35 percent. This modified taxable income generated \$180.1 billion (column 6) in tax at the 35-percent tax rate, with the remainder generated at some or all of the lower eight tax rates.

Table 2 provides statistics on the tax generated, in total and at each tax rate bracket, for returns with modified taxable income. Returns in this table are classified by size of AGI. The tax generated at each tax rate was computed based on the modified taxable income for each individual return.

For example, the 3.1 million returns included in the “\$200,000 under \$500,000” income-size classification showed total modified taxable income of \$732.3 billion and generated total tax of \$168.4 billion. Of this \$732.3 billion of modified taxable income, \$42.7 billion were taxed at 10 percent (ordinary tax rate); \$128.0 billion were taxed at 15 percent (ordinary tax rate); \$168.0 billion were taxed at 25 percent (ordinary tax rate); \$152.0 billion were taxed at 28 percent (ordinary tax rate); \$121.1 billion were taxed at 33 percent rate; and \$12.9 billion were taxed at 35 percent. Approximately \$6.3 billion were taxed at the 5-percent rate; \$97.7 billion were taxed at the 15-percent capital gain and qualified dividend rate; \$3.2 billion were taxed at the 25-percent capital gain rate; \$0.2 billion were taxed at the 28-percent capital gain rate, with the remainder from tax related

to special capital gain tax rates and Forms 8814 and 8615.

Table 3 presents statistics on the income and tax generated at each tax rate by filing status, for returns with modified taxable income. Over 0.8 million of the 45.4 million returns with modified taxable income filed jointly (including surviving spouses) had some income taxed at the 35-percent tax rate. For these returns, the taxable income subject to this rate was \$514.4 billion, and the tax generated was \$180.1 billion.

Computation of Alternative Minimum Taxable Income (AMTI)

AMTI was computed by adding certain “tax preferences” (i.e., deduction or exclusion amounts identified as potential sources of tax savings disallowed for AMT purposes) and “adjustments” (i.e., regular tax deduction amounts recomputed or excluded for AMT purposes) to taxable income before any deductions were taken for personal exemptions (Figures I and J). Although itemized deductions for some taxpayers were limited for regular tax purposes, the full amounts of such itemized deductions were included as adjustments. (To compensate for this, the overall limitation on itemized deductions was then subtracted from taxable income for AMT purposes.) The “net operating loss deduction” was recomputed to allow for the exclusion of the “tax preference items” and “adjustments” used to reduce regular tax liability. The recomputed net operating loss deduction, termed the “alternative net operating loss deduction,” was limited to 90 percent of AMTI (with certain minor exceptions for 2006).

Figure I

Calculation of Alternative Minimum Taxable Income (AMTI), Tax Year 2006

	Taxable income before deduction for personal exemptions
PLUS:	Adjustments and preferences (see Figure J)
PLUS:	Net operating loss deduction
MINUS:	Overall itemized deductions limitation
MINUS:	Alternative tax net operating loss deduction [1]
EQUALS:	Alternative minimum taxable income

[1] Limited to 90 percent of AMTI, except when depletion is present on Form 6251. In this case, AMTI is recalculated, and the alternative tax net operating loss deduction is limited to 90 percent of the recalculated amount.

Individual Income Tax Rates and Shares, 2006

Statistics of Income Bulletin | Winter 2009

AMTI was reduced by an exemption amount which depended on the filing status of the individual and which was subject to phaseout at higher AMTI levels. The AMTI exemption for single filers (and heads of households) for 2006 was \$42,500; for joint filers and surviving spouses, \$62,550; and for married persons filing separately, \$31,275. The exemption was reduced (but not below zero) by 25 percent of the amount by which the AMTI exceeded threshold levels of \$112,500 for single filers and heads of households, \$150,000 for joint filers, and \$75,000 for married persons filing separately. The exemption was phased out completely for individuals whose filing status was single or head of household, married filing jointly, and married filing separately, at \$282,500, \$400,200, and \$200,100, of AMTI, respectively.

After reduction by the exemption, the first \$175,000 (\$87,500 if married filing separately) of the remaining AMTI was subject to tax at a 26-percent rate, with any excess taxed at a 28-percent rate. However, capital gains and qualified dividends (recalculated for AMT purposes) that were taxed at lower rates (5 percent, 15 percent, and 25 percent) were taxed at these same rates for the AMT, with the rest of AMTI being taxed at the rates mentioned above (26 percent or 28 percent). The resulting tax was reduced by the “alternative minimum tax foreign tax credit,” which produced a “tentative minimum tax.” Tentative minimum tax was further reduced by the individual’s regular tax before credits (excluding tax on lump-sum distributions from qualified retirement plans) less the foreign tax credit (for regular tax purposes) to yield the alternative minimum tax.

Dependents under the age of 18 with investment income over a certain amount who filed their own returns were subject to special rules for AMT purposes. These rules required that the dependents pay the same amount of AMT as their parents would have

paid if the parents included the dependents’ incomes on their own tax returns. (Dependents filing their own returns were limited to an AMT exemption of \$6,050 plus their “earned incomes.” The dependent’s AMT could be reduced if the parents had regular tax greater than the child’s own tentative minimum tax, or if any other dependent under age 18 of the same parents had regular tax greater than this dependent’s own tentative minimum tax.)

Data Sources and Limitations

These statistics are based on a sample of individual income tax returns (Forms 1040, 1040A, and 1040EZ, including electronically filed returns) filed during Calendar Year 2007. Returns in the sample were stratified based on: (1) the larger of positive income or negative income (absolute value); (2) the size of business and farm receipts; (3) the presence or absence of specific forms or schedules; and (4) the usefulness of returns for tax policy modeling purposes.¹⁷ Returns were then selected at rates ranging from 0.10 percent to 100 percent. The 2006 data are based on a sample of 321,006 returns and an estimated final population of 138,485,446 returns. The corresponding sample and population for the 2005 data were 292,966 and 134,494,440 returns, respectively. Since the data presented here are estimates based on a sample of returns filed, they are subject to sampling error. To properly use the statistical data provided, the magnitude of the potential sampling error must be known; coefficients of variation (CVs) are used to measure that magnitude. Figure K shows estimated CVs for the numbers of returns and money amounts for selected income items. The reliability of estimates based on samples, and the use of coefficients of variation for evaluating the precision of estimates based on samples, are discussed in *SOI Sampling Methodology and Data Limitations*, found near the back of this issue.

¹⁷ Returns in the sample were stratified based on the presence or absence of one or more of the following forms or schedules: Form 2555, *Foreign Earned Income*; Form 1116, *Foreign Tax Credit (Individual, Fiduciary, or Nonresident Alien Individual)*; Schedule C, *Profit or Loss From Business (Sole Proprietorship)*; and Schedule F, *Profit or Loss From Farming*.

Individual Income Tax Rates and Shares, 2006

Statistics of Income Bulletin | Winter 2009

Figure K

Coefficients of Variation for Selected Items, by Size of Adjusted Gross Income, Tax Year 2006

[Coefficients of variation are percentages]

Size of adjusted gross income	Modified taxable income		Tax generated	Income tax after credits	Total income tax
	Number of returns	Amount			
	(1)	(2)	(3)	(4)	(5)
Total	0.12	0.12	0.17	0.18	0.18
Under \$2,000 [1]	5.13	6.29	6.62	25.36	25.36
\$2,000 under \$4,000	4.66	5.59	6.61	6.61	6.61
\$4,000 under \$6,000	3.23	4.85	5.56	5.52	5.52
\$6,000 under \$8,000	2.82	3.09	3.43	3.47	3.47
\$8,000 under \$10,000	2.12	2.87	3.06	3.34	3.34
\$10,000 under \$12,000	1.89	2.18	2.22	2.43	2.43
\$12,000 under \$14,000	1.85	2.00	2.08	2.23	2.23
\$14,000 under \$16,000	1.75	1.94	1.98	2.18	2.18
\$16,000 under \$18,000	1.72	1.90	1.95	2.18	2.18
\$18,000 under \$20,000	1.62	1.84	1.88	2.17	2.17
\$20,000 under \$25,000	0.97	1.10	1.15	1.37	1.37
\$25,000 under \$30,000	1.01	1.11	1.16	1.37	1.37
\$30,000 under \$40,000	0.76	0.82	0.85	0.97	0.97
\$40,000 under \$50,000	0.78	0.83	0.87	0.98	0.98
\$50,000 under \$75,000	0.50	0.54	0.58	0.64	0.64
\$75,000 under \$100,000	0.71	0.73	0.77	0.81	0.81
\$100,000 under \$200,000	0.58	0.58	0.60	0.60	0.60
\$200,000 under \$500,000	0.69	0.65	0.67	0.66	0.66
\$500,000 under \$1,000,000	0.95	0.85	0.88	0.88	0.88
\$1,000,000 under \$1,500,000	1.16	1.12	1.16	1.17	1.17
\$1,500,000 under \$2,000,000	0.86	0.88	0.92	0.92	0.92
\$2,000,000 under \$5,000,000	0.99	1.23	1.53	1.55	1.55
\$5,000,000 under \$10,000,000	0.54	0.45	0.49	0.49	0.49
\$10,000,000 or more	0.02	0.01	0.02	0.02	0.02

[1] Includes returns with adjusted gross deficit.

Individual Income Tax Rates and Shares, 2006

Statistics of Income Bulletin | Winter 2009

Table 1. Returns with Modified Taxable Income: Tax Classified by Marginal Tax Rate and by Filing Status, Tax Year 2006

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Filing status, tax rate classes	Classified by the highest marginal rate at which tax was computed								
	Number of returns	Adjusted gross income less deficit	Modified taxable income		Tax generated		Income tax after credits		
			At all rates	At marginal rate	At all rates	At marginal rate	Total	As a percentage of	
								Adjusted gross income less deficit	Modified taxable income
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
All returns									
All tax rates	106,658,774	7,842,167,353	5,580,354,544	1,986,699,246	1,061,283,363	462,956,708	1,023,300,348	13.0	18.3
5 percent	1,151,527	27,701,952	8,346,340	8,346,231	417,350	417,312	383,080	1.4	4.6
10 percent	25,752,688	526,398,164	138,754,410	128,511,169	13,365,867	12,851,117	7,122,378	1.4	5.1
10 percent (Form 8814) [1]	19,240	-7,919	17,907	17,907	1,796	1,796	6,826	[4]	38.1
15 percent	41,304,877	1,805,310,493	1,069,736,810	613,977,076	137,673,528	92,096,561	110,746,584	6.1	10.4
15 percent (capital gains) [2]	8,639,561	774,171,191	536,927,394	217,345,910	70,077,993	32,601,887	68,241,017	8.8	12.7
25 percent	22,314,164	2,017,884,595	1,503,962,573	254,642,952	253,145,760	63,660,738	246,911,616	12.2	16.4
25 percent (capital gains)	442,189	94,804,743	80,060,597	6,861,803	13,260,613	1,715,451	13,832,445	14.6	17.3
28 percent	4,020,037	703,069,357	568,137,742	41,499,306	117,747,721	11,619,806	120,719,611	17.2	21.2
28 percent (capital gains)	71,581	13,754,748	11,294,494	1,045,431	2,078,922	292,721	2,188,233	15.9	19.4
33 percent	1,587,873	509,361,358	431,351,363	87,525,981	102,570,049	28,883,574	107,380,555	21.1	24.9
35 percent	1,002,051	1,364,567,706	1,226,989,916	622,722,005	350,015,255	217,952,702	344,894,798	25.3	28.1
Form 8615 [3]	352,987	5,150,965	4,774,997	4,203,477	928,508	863,043	873,205	17.0	18.3
Joint returns and returns of surviving spouses									
All tax rates	45,391,852	5,287,113,548	3,849,427,406	1,319,780,255	758,086,750	326,792,949	733,754,945	13.9	19.1
5 percent	321,946	15,402,702	4,488,252	4,488,142	224,429	224,407	205,909	1.3	4.6
10 percent	7,359,293	240,118,797	61,282,226	55,279,464	5,829,274	5,527,946	2,907,005	1.2	4.7
10 percent (Form 8814) [1]	9,863	-104,232	10,368	10,368	1,040	1,040	6,826	[4]	65.8
15 percent	16,576,126	1,045,032,131	611,973,278	361,661,915	79,280,787	54,249,287	61,484,987	5.9	10.0
15 percent (capital gains) [2]	5,544,510	581,936,154	400,873,976	153,635,831	52,393,252	23,045,375	50,315,306	8.6	12.6
25 percent	10,852,508	1,296,629,277	952,338,858	134,718,007	158,650,461	33,679,502	153,403,341	11.8	16.1
25 percent (capital gains)	281,664	69,949,557	58,855,331	4,987,803	9,733,657	1,246,951	10,179,707	14.6	17.3
28 percent	2,326,638	481,786,640	384,204,622	21,708,180	78,201,477	6,078,290	80,612,729	16.7	21.0
28 percent (capital gains)	46,340	10,191,242	8,280,609	694,495	1,497,884	194,459	1,591,454	15.6	19.2
33 percent	1,227,064	409,711,044	345,663,286	68,146,293	81,340,285	22,488,277	85,476,312	20.9	24.7
35 percent	845,900	1,136,460,236	1,021,456,602	514,449,757	290,934,203	180,057,415	287,571,371	25.3	28.2
Form 8615 [3]	0	0	0	0	0	0	0	[4]	[4]
Returns of married persons filing separately									
All tax rates	2,174,867	153,813,933	117,178,658	53,984,899	24,540,501	14,280,102	23,943,022	15.6	20.4
5 percent	8,451	276,885	69,938	69,938	3,496	3,497	2,804	1.0	4.0
10 percent	314,014	4,914,125	1,319,516	1,254,716	128,736	125,472	103,012	2.1	7.8
10 percent (Form 8814) [1]	* 7	* -15,049	* 3	* 3	0	0	0	[4]	[4]
15 percent	1,027,096	31,408,803	18,783,198	11,028,622	2,429,774	1,654,293	2,139,772	6.8	11.4
15 percent (capital gains) [2]	102,197	13,051,538	9,760,131	7,353,048	1,371,958	1,102,957	1,470,046	11.3	15.1
25 percent	528,841	31,086,547	23,190,920	5,003,001	3,880,325	1,250,750	3,841,070	12.4	16.6
25 percent (capital gains)	7,771	2,168,329	1,838,007	240,747	305,127	60,187	336,209	15.5	18.3

Footnotes at end of table.

Individual Income Tax Rates and Shares, 2006

Statistics of Income Bulletin | Winter 2009

Table 1. Returns with Modified Taxable Income: Tax Classified by Marginal Tax Rate and by Filing Status, Tax Year 2006—Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Filing status, tax rate classes	Classified by the highest marginal rate at which tax was computed								
	Number of returns	Adjusted gross income less deficit	Modified taxable income		Tax generated		Income tax after credits		
			At all rates	At marginal rate	At all rates	At marginal rate	Total	As a percentage of	
								Adjusted gross income less deficit	Modified taxable income
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Returns of married persons filing separately									
28 percent	104,988	10,847,239	8,692,950	704,571	1,739,211	197,280	1,785,977	16.5	20.5
28 percent (capital gains)	657	168,691	144,179	63,869	31,887	17,883	32,817	19.5	22.8
33 percent	49,667	8,175,581	6,872,881	1,272,536	1,607,607	419,937	1,662,129	20.3	24.2
35 percent	31,179	51,731,245	46,506,934	26,993,847	13,042,380	9,447,846	12,569,187	24.3	27.0
Form 8615 [3]	0	0	0	0	0	0	0	[4]	[4]
Returns of heads of households									
All tax rates	13,526,875	556,591,736	301,094,986	133,491,009	46,806,599	23,245,904	36,803,628	6.6	12.2
5 percent	28,690	1,046,889	325,331	325,331	16,268	16,267	8,883	0.8	2.7
10 percent	5,775,685	130,405,313	30,229,898	29,932,369	3,008,571	2,993,237	306,851	0.2	1.0
10 percent (Form 8814) [1]	7,729	80,958	6,218	6,218	623	623	0	[4]	[4]
15 percent	5,857,705	233,991,461	126,937,735	63,965,766	15,892,220	9,594,865	9,358,725	4.0	7.4
15 percent (capital gains) [2]	365,107	25,161,559	16,631,159	6,085,493	2,146,889	912,824	1,922,799	7.6	11.6
25 percent	1,329,939	109,708,855	78,494,249	17,297,541	13,279,346	4,324,385	12,669,803	11.5	16.1
25 percent (capital gains)	13,080	2,811,099	2,429,329	249,475	404,939	62,369	427,253	15.2	17.6
28 percent	87,051	15,360,267	12,277,922	1,150,528	2,634,227	322,148	2,816,963	18.3	22.9
28 percent (capital gains)	* 3,036	* 321,834	* 253,537	* 27,198	* 47,644	* 7,615	* 47,224	* 14.7	* 18.6
33 percent	37,260	11,516,443	9,904,583	2,315,504	2,444,123	764,116	2,569,479	22.3	25.9
35 percent	21,595	26,187,059	23,605,026	12,135,587	6,931,750	4,247,455	6,675,649	25.5	28.3
Form 8615 [3]	0	0	0	0	0	0	0	[4]	[4]
Returns of single persons									
All tax rates	45,565,179	1,844,648,135	1,312,653,493	479,443,084	231,849,512	98,637,752	228,798,753	12.4	17.4
5 percent	792,440	10,975,477	3,462,819	3,462,819	173,157	173,141	165,485	1.5	4.8
10 percent	12,303,695	150,959,929	45,922,770	42,044,620	4,399,285	4,204,462	3,805,510	2.5	8.3
10 percent (Form 8814) [1]	* 1,642	* 30,405	* 1,318	* 1,318	* 133	* 133	0	[4]	[4]
15 percent	17,843,951	494,878,097	312,042,600	177,320,772	40,070,748	26,598,116	37,763,101	7.6	12.1
15 percent (capital gains) [2]	2,627,748	154,021,939	109,662,128	50,271,538	14,165,893	7,540,731	14,532,866	9.4	13.3
25 percent	9,602,877	580,459,916	449,938,546	97,624,402	77,335,628	24,406,101	76,997,403	13.3	17.1
25 percent (capital gains)	139,674	19,875,758	16,937,930	1,383,778	2,816,890	345,945	2,889,277	14.5	17.1
28 percent	1,501,361	195,075,211	162,962,248	17,936,028	35,172,807	5,022,088	35,503,942	18.2	21.8
28 percent (capital gains)	21,547	3,072,982	2,616,170	259,868	501,506	72,763	516,738	16.8	19.8
33 percent	273,882	79,958,290	68,910,613	15,791,648	17,178,035	5,211,244	17,672,635	22.1	25.6
35 percent	103,377	150,189,166	135,421,355	69,142,814	39,106,922	24,199,985	38,078,592	25.4	28.1
Form 8615 [3]	352,987	5,150,965	4,774,997	4,203,477	928,508	863,043	873,205	17.0	18.3

* Estimate should be used with caution due to the small number of sample returns on which it is based.

[1] Form 8814 was filed for a dependent child under age 18 for whom the parents made the election to report the child's investment income (if it was from interest, dividends, or capital gains totaling between \$850 and \$8,500) on the parents' income tax return. This rate classification is comprised of those returns with a tax liability only from the dependent's income.

[2] The 15 percent capital gains rate also includes qualified dividends.

[3] Form 8615 was filed for a child under age 18 to report the child's investment income in excess of \$1,700. The returns in this rate classification are not distributed by tax rate.

[4] Percentage not computed.

NOTE: Detail may not add to totals because of rounding.

Individual Income Tax Rates and Shares, 2006

Statistics of Income Bulletin | Winter 2009

Table 2. Returns with Modified Taxable Income: Tax Generated by Rate and by Size of Adjusted Gross Income, Tax Year 2006

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Size of adjusted gross income	Number of returns	Taxable income	Modified taxable income	Tax generated at all rates	Tax generated at specified rate		
					5 percent		
					Number of returns	Income taxed at rate	Tax generated at rate
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Total	106,658,774	5,579,105,232	5,580,354,544	1,061,283,363	12,761,691	71,118,752	3,556,337
Under \$2,000 [1]	333,185	148,463	152,384	10,867	215,970	93,830	4,696
\$2,000 under \$4,000	393,372	520,951	528,454	52,708	242,077	204,417	10,221
\$4,000 under \$6,000	887,021	863,366	867,382	83,024	204,368	261,830	13,091
\$6,000 under \$8,000	1,180,325	2,363,844	2,370,326	238,533	146,683	208,017	10,410
\$8,000 under \$10,000	2,011,905	4,089,984	4,102,339	406,204	165,502	292,318	14,618
\$10,000 under \$12,000	2,529,783	7,624,699	7,630,993	754,870	247,395	288,787	14,443
\$12,000 under \$14,000	2,621,735	11,954,530	11,967,972	1,193,483	274,899	469,347	23,477
\$14,000 under \$16,000	2,940,733	16,061,007	16,073,701	1,609,722	263,628	538,281	26,918
\$16,000 under \$18,000	3,057,122	20,474,244	20,489,929	2,140,998	241,451	510,594	25,536
\$18,000 under \$20,000	3,443,534	25,444,391	25,467,224	2,795,763	290,701	575,386	28,773
\$20,000 under \$25,000	8,828,262	84,958,925	85,056,763	9,784,387	815,192	1,799,186	89,979
\$25,000 under \$30,000	8,251,278	111,591,561	111,656,367	13,325,950	845,048	2,414,786	120,764
\$30,000 under \$40,000	13,731,528	265,072,833	265,293,734	32,970,635	1,597,122	5,194,359	259,795
\$40,000 under \$50,000	10,512,281	284,971,930	285,177,742	38,102,778	1,353,523	5,455,865	272,836
\$50,000 under \$75,000	18,708,956	743,782,211	744,232,638	107,343,865	2,969,845	14,809,963	740,597
\$75,000 under \$100,000	11,102,049	660,318,278	660,681,476	99,607,990	1,851,338	14,118,365	705,956
\$100,000 under \$200,000	12,067,873	1,181,233,546	1,181,992,599	213,889,256	772,440	14,372,204	718,643
\$200,000 under \$500,000	3,116,220	731,857,395	732,277,004	168,370,440	190,501	6,309,725	315,502
\$500,000 under \$1,000,000	588,226	348,055,997	347,985,796	92,728,417	40,768	1,637,192	81,864
\$1,000,000 under \$1,500,000	150,189	161,556,432	161,483,285	44,152,720	12,202	530,982	26,551
\$1,500,000 under \$2,000,000	63,848	98,151,682	98,061,076	26,816,518	5,985	279,244	13,963
\$2,000,000 under \$5,000,000	98,500	265,082,448	264,771,604	72,283,115	9,577	466,103	23,306
\$5,000,000 under \$10,000,000	24,917	153,833,151	153,612,831	39,972,419	3,025	157,300	7,865
\$10,000,000 or more	15,931	399,093,365	398,420,925	92,648,701	2,451	130,671	6,534

Size of adjusted gross income	Tax generated at specified rate—continued					
	10 percent			10 percent (from Form 8814) [2]		
	Number of returns	Income taxed at rate	Tax generated at rate	Number of returns	Income taxed at rate	Tax generated at rate
	(8)	(9)	(10)	(11)	(12)	(13)
Total	105,189,855	1,033,637,088	103,363,709	175,397	139,646	13,993
Under \$2,000 [1]	177,160	49,508	4,951	2,562	3,761	376
\$2,000 under \$4,000	287,459	183,568	18,357	* 698	* 542	* 55
\$4,000 under \$6,000	803,707	444,138	44,414	0	0	0
\$6,000 under \$8,000	1,153,419	2,025,705	202,571	* 866	* 298	* 30
\$8,000 under \$10,000	1,944,233	3,636,187	363,619	* 1,925	* 937	* 94
\$10,000 under \$12,000	2,445,717	7,236,113	723,611	* 2,355	* 1,725	* 173
\$12,000 under \$14,000	2,554,894	11,205,642	1,120,564	4,063	3,468	349
\$14,000 under \$16,000	2,887,247	14,958,266	1,495,827	* 2,564	* 2,514	* 252
\$16,000 under \$18,000	3,020,719	17,689,478	1,768,948	* 2,947	* 2,126	* 214
\$18,000 under \$20,000	3,387,513	19,341,366	1,934,137	* 2,538	* 1,061	* 107
\$20,000 under \$25,000	8,709,674	56,123,440	5,612,344	* 2,325	* 1,428	* 144
\$25,000 under \$30,000	8,182,866	63,896,258	6,389,626	* 2,982	* 1,818	* 184
\$30,000 under \$40,000	13,646,327	126,953,412	12,695,341	6,945	4,872	489
\$40,000 under \$50,000	10,454,320	112,209,998	11,221,000	10,294	6,375	641
\$50,000 under \$75,000	18,602,026	226,336,105	22,633,611	28,978	21,319	2,138
\$75,000 under \$100,000	11,037,241	149,144,766	14,914,477	21,959	16,231	1,625
\$100,000 under \$200,000	11,955,091	167,018,658	16,701,866	40,841	30,510	3,053
\$200,000 under \$500,000	3,048,380	42,724,743	4,272,474	25,869	24,194	2,421
\$500,000 under \$1,000,000	564,629	7,915,923	791,592	8,293	9,033	904
\$1,000,000 under \$1,500,000	141,612	1,977,465	197,747	2,567	3,063	306
\$1,500,000 under \$2,000,000	59,371	825,167	82,517	1,141	1,243	124
\$2,000,000 under \$5,000,000	90,548	1,248,284	124,828	1,834	2,088	209
\$5,000,000 under \$10,000,000	22,144	306,459	30,646	472	588	59
\$10,000,000 or more	13,559	186,439	18,644	378	451	45

Footnotes at end of table.

Individual Income Tax Rates and Shares, 2006

Statistics of Income Bulletin | Winter 2009

Table 2. Returns with Modified Taxable Income: Tax Generated by Rate and by Size of Adjusted Gross Income, Tax Year 2006—Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Size of adjusted gross income	Tax generated at specified rate—continued					
	15 percent			15 percent (capital gains and qualified dividends)		
	Number of returns	Income taxed at rate	Tax generated at rate	Number of returns	Income taxed at rate	Tax generated at rate
	(14)	(15)	(16)	(17)	(18)	(19)
Total	78,987,673	1,827,399,429	274,109,914	13,103,694	710,432,860	106,565,265
Under \$2,000 [1]	0	0	0	0	0	0
\$2,000 under \$4,000	0	0	0	0	0	0
\$4,000 under \$6,000	0	0	0	0	0	0
\$6,000 under \$8,000	* 698	* 1,253	* 188	0	0	0
\$8,000 under \$10,000	* 7,635	* 9,172	* 1,376	0	0	0
\$10,000 under \$12,000	* 1,804	* 2,110	* 317	0	0	0
\$12,000 under \$14,000	182,982	129,539	19,431	0	0	0
\$14,000 under \$16,000	205,545	430,519	64,578	0	0	0
\$16,000 under \$18,000	1,785,231	2,189,813	328,472	0	0	0
\$18,000 under \$20,000	1,909,351	5,516,272	827,441	0	0	0
\$20,000 under \$25,000	4,582,979	26,953,407	4,043,011	0	0	0
\$25,000 under \$30,000	5,277,035	45,144,215	6,771,632	0	0	0
\$30,000 under \$40,000	10,553,498	132,645,630	19,896,845	28,090	16,323	2,450
\$40,000 under \$50,000	9,665,238	151,333,366	22,700,005	632,136	1,297,976	194,714
\$50,000 under \$75,000	18,088,522	409,890,691	61,483,604	1,641,186	7,976,307	1,196,487
\$75,000 under \$100,000	10,935,293	392,666,860	58,900,029	2,127,929	11,685,615	1,752,896
\$100,000 under \$200,000	11,878,481	494,916,604	74,237,491	5,572,059	61,931,958	9,289,940
\$200,000 under \$500,000	3,026,977	127,998,233	19,199,735	2,272,456	97,684,463	14,652,727
\$500,000 under \$1,000,000	560,896	23,833,857	3,575,079	507,109	72,998,494	10,949,784
\$1,000,000 under \$1,500,000	140,727	5,969,672	895,451	134,917	43,107,734	6,466,163
\$1,500,000 under \$2,000,000	59,028	2,490,726	373,609	58,372	29,463,986	4,419,599
\$2,000,000 under \$5,000,000	90,162	3,778,560	566,784	90,271	88,775,562	13,316,337
\$5,000,000 under \$10,000,000	22,057	930,937	139,641	23,728	65,141,852	9,771,278
\$10,000,000 or more	13,536	567,994	85,199	15,439	230,352,590	34,552,889

Size of adjusted gross income	Tax generated at specified rate—continued					
	25 percent			25 percent (capital gains)		
	Number of returns	Income taxed at rate	Tax generated at rate	Number of returns	Income taxed at rate	Tax generated at rate
	(20)	(21)	(22)	(23)	(24)	(25)
Total	29,370,033	785,142,547	196,285,637	855,216	15,384,573	3,846,240
Under \$2,000 [1]	0	0	0	0	0	0
\$2,000 under \$4,000	0	0	0	0	0	0
\$4,000 under \$6,000	0	0	0	0	0	0
\$6,000 under \$8,000	0	0	0	0	0	0
\$8,000 under \$10,000	0	0	0	0	0	0
\$10,000 under \$12,000	0	0	0	0	0	0
\$12,000 under \$14,000	0	0	0	0	0	0
\$14,000 under \$16,000	0	0	0	0	0	0
\$16,000 under \$18,000	0	0	0	0	0	0
\$18,000 under \$20,000	* 48	* 659	* 165	0	0	0
\$20,000 under \$25,000	* 917	* 9,929	* 2,482	0	0	0
\$25,000 under \$30,000	1,562	5,508	1,377	0	0	0
\$30,000 under \$40,000	301,909	208,356	52,089	* 1,007	* 4	* 1
\$40,000 under \$50,000	3,147,302	14,689,828	3,672,457	11,120	1,200	301
\$50,000 under \$75,000	5,808,570	84,896,035	21,224,009	51,452	64,096	16,028
\$75,000 under \$100,000	5,502,205	89,749,848	22,437,462	80,700	152,427	38,114
\$100,000 under \$200,000	10,854,279	377,411,401	94,352,850	329,317	1,335,992	334,034
\$200,000 under \$500,000	2,897,382	167,985,415	41,996,354	230,971	3,153,101	788,304
\$500,000 under \$1,000,000	540,275	31,721,514	7,930,379	79,651	2,318,597	579,659
\$1,000,000 under \$1,500,000	136,452	7,986,168	1,996,542	24,505	1,158,486	289,625
\$1,500,000 under \$2,000,000	57,006	3,345,482	836,371	12,261	732,376	183,096
\$2,000,000 under \$5,000,000	87,543	5,104,543	1,276,136	22,094	2,160,495	540,127
\$5,000,000 under \$10,000,000	21,432	1,259,055	314,764	7,005	1,340,285	335,072
\$10,000,000 or more	13,151	768,807	192,202	5,133	2,967,515	741,879

Footnotes at end of table.

Individual Income Tax Rates and Shares, 2006

Statistics of Income Bulletin | Winter 2009

Table 2. Returns with Modified Taxable Income: Tax Generated by Rate and by Size of Adjusted Gross Income, Tax Year 2006—Continued

(All figures are estimates based on samples—money amounts are in thousands of dollars)

Size of adjusted gross income	Tax generated at specified rate—continued					
	28 percent			28 percent (capital gains)		
	Number of returns	Income taxed at rate	Tax generated at rate	Number of returns	Income taxed at rate	Tax generated at rate
	(26)	(27)	(28)	(29)	(30)	(31)
Total	6,626,142	270,372,582	75,704,323	97,447	2,339,269	654,998
Under \$2,000 [1]	0	0	0	0	0	0
\$2,000 under \$4,000	0	0	0	0	0	0
\$4,000 under \$6,000	0	0	0	0	0	0
\$6,000 under \$8,000	0	0	0	0	0	0
\$8,000 under \$10,000	0	0	0	0	0	0
\$10,000 under \$12,000	0	0	0	0	0	0
\$12,000 under \$14,000	0	0	0	0	0	0
\$14,000 under \$16,000	0	0	0	0	0	0
\$16,000 under \$18,000	0	0	0	0	0	0
\$18,000 under \$20,000	0	0	0	0	0	0
\$20,000 under \$25,000	0	0	0	0	0	0
\$25,000 under \$30,000	0	0	0	0	0	0
\$30,000 under \$40,000	0	0	0	0	0	0
\$40,000 under \$50,000	* 48	* 780	* 218	* 2,021	* 47	* 13
\$50,000 under \$75,000	8,384	30,320	8,490	* 7,265	* 7,004	* 1,961
\$75,000 under \$100,000	436,127	2,682,927	751,220	9,313	7,333	2,054
\$100,000 under \$200,000	2,689,377	62,572,623	17,520,334	44,273	127,974	35,833
\$200,000 under \$500,000	2,671,122	151,986,274	42,556,157	20,580	200,734	56,206
\$500,000 under \$1,000,000	515,690	33,361,697	9,341,275	7,079	201,432	56,401
\$1,000,000 under \$1,500,000	130,574	8,432,599	2,361,128	2,525	146,624	41,055
\$1,500,000 under \$2,000,000	55,261	3,581,570	1,002,840	1,112	55,610	15,571
\$2,000,000 under \$5,000,000	85,414	5,510,506	1,542,942	2,033	546,318	152,969
\$5,000,000 under \$10,000,000	21,124	1,371,091	383,905	705	354,114	99,152
\$10,000,000 or more	13,022	842,196	235,815	541	692,078	193,782

Size of adjusted gross income	Tax generated at specified rate—continued					
	33 percent			35 percent		
	Number of returns	Income taxed at rate	Tax generated at rate	Number of returns	Income taxed at rate	Tax generated at rate
	(32)	(33)	(34)	(35)	(36)	(37)
Total	2,589,923	237,462,316	78,362,564	1,002,051	622,722,005	217,952,702
Under \$2,000 [1]	0	0	0	0	0	0
\$2,000 under \$4,000	0	0	0	0	0	0
\$4,000 under \$6,000	0	0	0	0	0	0
\$6,000 under \$8,000	0	0	0	0	0	0
\$8,000 under \$10,000	0	0	0	0	0	0
\$10,000 under \$12,000	0	0	0	0	0	0
\$12,000 under \$14,000	0	0	0	0	0	0
\$14,000 under \$16,000	0	0	0	0	0	0
\$16,000 under \$18,000	0	0	0	0	0	0
\$18,000 under \$20,000	0	0	0	0	0	0
\$20,000 under \$25,000	0	0	0	0	0	0
\$25,000 under \$30,000	0	0	0	0	0	0
\$30,000 under \$40,000	0	0	0	0	0	0
\$40,000 under \$50,000	0	0	0	0	0	0
\$50,000 under \$75,000	* 96	* 1,457	* 481	0	0	0
\$75,000 under \$100,000	564	7,025	2,318	0	0	0
\$100,000 under \$200,000	101,382	1,885,491	622,212	1,437	10,625	3,719
\$200,000 under \$500,000	1,697,958	121,062,409	39,950,595	272,377	12,894,416	4,513,046
\$500,000 under \$1,000,000	494,241	71,350,085	23,545,528	448,687	102,301,308	35,805,458
\$1,000,000 under \$1,500,000	125,696	18,318,581	6,045,132	117,644	73,700,373	25,795,131
\$1,500,000 under \$2,000,000	53,312	7,812,853	2,578,241	50,403	49,418,977	17,296,642
\$2,000,000 under \$5,000,000	83,092	12,097,580	3,992,201	79,085	144,810,466	50,683,663
\$5,000,000 under \$10,000,000	20,690	3,032,145	1,000,608	19,821	79,616,978	27,865,942
\$10,000,000 or more	12,892	1,894,690	625,248	12,597	159,968,864	55,989,102

Footnotes at end of table.

Individual Income Tax Rates and Shares, 2006

Statistics of Income Bulletin | Winter 2009

Table 2. Returns with Modified Taxable Income: Tax Generated by Rate and by Size of Adjusted Gross Income, Tax Year 2006—Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Size of adjusted gross income	Tax generated at specified rate—continued		
	Form 8615 [3]		
	Number of returns	Income taxed at rate	Tax generated at rate
	(38)	(39)	(40)
Total	352,987	4,203,477	863,043
Under \$2,000 [1]	31,466	5,285	832
\$2,000 under \$4,000	118,109	139,928	24,059
\$4,000 under \$6,000	54,996	161,414	25,463
\$6,000 under \$8,000	31,964	135,053	25,264
\$8,000 under \$10,000	24,547	163,725	26,404
\$10,000 under \$12,000	12,409	102,259	16,219
\$12,000 under \$14,000	15,954	159,975	29,507
\$14,000 under \$16,000	11,522	144,121	21,977
\$16,000 under \$18,000	* 6,555	* 97,919	* 17,700
\$18,000 under \$20,000	* 1,972	* 32,480	* 5,005
\$20,000 under \$25,000	9,577	169,372	36,064
\$25,000 under \$30,000	7,543	193,781	42,016
\$30,000 under \$40,000	8,489	270,778	63,051
\$40,000 under \$50,000	* 4,179	* 182,307	* 40,101
\$50,000 under \$75,000	* 3,430	* 199,343	* 35,804
\$75,000 under \$100,000	* 5,873	* 450,079	* 101,647
\$100,000 under \$200,000	* 2,862	* 378,560	* 68,498
\$200,000 under \$500,000	* 761	* 253,296	* 66,718
\$500,000 under \$1,000,000	* 521	* 336,665	* 70,445
\$1,000,000 under \$1,500,000	* 122	* 151,539	* 37,882
\$1,500,000 under \$2,000,000	* 33	* 53,842	* 13,939
\$2,000,000 under \$5,000,000	83	271,098	63,604
\$5,000,000 under \$10,000,000	** 20	** 150,658	** 30,844
\$10,000,000 or more	**	**	**

* Estimate should be used with caution because of the small number of sample returns on which it is based.

** Data combined to prevent disclosure of specific taxpayer information.

[1] Includes returns with adjusted gross deficit.

[2] Form 8814 was filed for a dependent child under age 18 for whom the parents made the election to report the child's investment income (if it was from interest, dividends, or capital gains totaling between \$850 and \$8,500) on the parents' income tax return. This rate classification is comprised of those returns with a tax liability only from the dependent's income.

[3] Form 8615 was filed for a child under age 18 to report the child's investment income in excess of \$1,700. The returns in this rate classification are not distributed by tax rate.

NOTE: Detail may not add to totals because of rounding.

Individual Income Tax Rates and Shares, 2006

Statistics of Income Bulletin | Winter 2009

Table 3. Returns with Modified Taxable Income: Taxable Income and Tax, Classified by Tax Rate and by Filing Status, Tax Year 2006

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Tax rate class	All returns			Joint returns and returns of surviving spouses			Returns of married persons filing separately	
	Number of returns	Income taxed at rate	Income tax generated at rate	Number of returns	Income taxed at rate	Income tax generated at rate	Number of returns	Income taxed at rate
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
All tax rates	106,658,774	5,580,354,544	1,061,277,890	45,391,852	3,849,427,406	758,084,535	2,174,867	117,178,658
5 percent	12,761,691	71,118,752	3,555,938	7,105,969	47,201,096	2,360,055	129,275	705,381
10 percent	105,189,855	1,033,637,088	103,363,709	44,930,813	622,134,651	62,213,465	2,157,296	15,168,422
10 percent (Form 8814) [1]	175,397	139,646	13,993	146,302	123,309	12,352	147	127
15 percent	78,987,673	1,827,399,429	274,109,914	37,501,697	1,210,659,130	181,598,870	1,841,905	28,869,004
15 percent (capital gains) [2]	13,103,694	710,432,860	106,564,929	8,466,662	532,085,641	79,812,846	195,768	25,535,216
25 percent	29,370,033	785,142,547	196,285,637	15,531,094	522,206,066	130,551,517	721,910	11,912,753
25 percent (capital gains)	855,216	15,384,573	3,846,143	576,487	11,738,561	2,934,640	16,552	525,433
28 percent	6,626,142	270,372,582	75,704,323	4,409,201	193,771,718	54,256,081	185,834	3,738,943
28 percent (capital gains)	97,447	2,339,269	654,995	67,238	1,633,442	457,364	1,136	148,195
33 percent	2,589,923	237,462,316	78,362,564	2,072,964	193,424,034	63,829,931	80,846	3,581,338
35 percent	1,002,051	622,722,005	217,952,702	845,900	514,449,757	180,057,415	31,179	26,993,847
Form 8615 [3]	352,987	4,203,477	863,043	0	0	0	0	0

Tax rate class	Returns of married persons filing separately—continued	Returns of heads of households			Returns of single persons		
	Income tax generated at rate	Number of returns	Income taxed at rate	Income tax generated at rate	Number of returns	Income taxed at rate	Income tax generated at rate
	(9)	(10)	(11)	(12)	(13)	(14)	(15)
All tax rates	24,540,390	13,526,875	301,094,986	46,806,046	45,565,179	1,312,653,493	231,846,919
5 percent	35,269	496,751	2,216,652	110,833	5,029,697	20,995,622	1,049,781
10 percent	1,516,842	13,478,568	112,701,455	11,270,145	44,623,178	283,632,560	28,363,256
10 percent (Form 8814) [1]	13	24,325	13,527	1,358	4,624	2,683	271
15 percent	4,330,351	7,697,144	114,360,061	17,154,009	31,946,927	473,511,234	71,026,685
15 percent (capital gains) [2]	3,830,282	359,663	15,441,129	2,316,169	4,081,600	137,370,874	20,605,631
25 percent	2,978,188	1,489,080	31,979,513	7,994,878	11,627,948	219,044,214	54,761,054
25 percent (capital gains)	131,358	20,151	393,496	98,374	242,026	2,727,084	681,771
28 percent	1,046,904	145,909	5,943,713	1,664,240	1,885,198	66,918,208	18,737,098
28 percent (capital gains)	41,495	3,146	33,349	9,338	25,927	524,284	146,799
33 percent	1,181,842	58,855	5,876,505	1,939,247	377,259	34,580,440	11,411,545
35 percent	9,447,846	21,595	12,135,587	4,247,455	103,377	69,142,814	24,199,985
Form 8615 [3]	0	0	0	0	352,987	4,203,477	863,043

[1] Form 8814 was filed for a dependent child under age 18 for whom the parents made an election to report the child's investment income (if it was from interest, dividends, or capital gains totaling between \$850 and \$8,500) on the parents' income tax return. This rate classification is comprised of those returns with a tax liability only from the dependent's income.

[2] The 15 percent capital gains rate also includes qualified dividends.

[3] Form 8615 was filed for a child under age 18 to report the child's investment income in excess of \$1,700. The returns in this rate classification are not distributed by tax rate.

NOTE: Detail may not add to totals because of rounding.

Individual Income Tax Rates and Shares, 2006

Statistics of Income Bulletin | Winter 2009

Table 4. Returns with Modified Taxable Income: Tax Classified by Type of Tax Computation and by Size of Adjusted Gross Income, Tax Years 2005 and 2006

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Type of tax computation by size of adjusted gross income	Tax Year 2005				Tax Year 2006			
	Income tax before credits (regular tax computation) [1]		Tax generated	Difference due to special tax computation [2]	Income tax before credits (regular tax computation) [1]		Tax generated	Difference due to special tax computation [2]
	Number of returns	Amount	Amount		Number of returns	Amount	Amount	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Returns with regular tax computation only								
Total	81,028,120	396,300,504	396,026,640	0	82,283,552	419,758,698	419,499,609	0
Under \$5,000 [3]	284,018	21,359	21,359	0	288,786	19,731	19,731	0
\$5,000 under \$10,000	3,850,619	624,301	624,301	0	3,482,283	558,817	558,816	0
\$10,000 under \$15,000	6,039,149	2,528,026	2,528,026	0	5,964,638	2,453,627	2,453,565	0
\$15,000 under \$20,000	7,579,909	5,599,169	5,599,135	0	7,279,957	5,347,153	5,346,923	0
\$20,000 under \$25,000	7,938,918	9,086,914	9,085,825	0	8,003,582	8,971,731	8,971,513	0
\$25,000 under \$30,000	7,454,831	12,367,596	12,367,382	0	7,395,670	12,092,082	12,090,886	0
\$30,000 under \$40,000	11,841,642	29,119,400	29,117,809	0	12,107,304	29,382,767	29,380,711	0
\$40,000 under \$50,000	8,663,652	32,148,799	32,144,409	0	8,717,227	31,871,571	31,870,452	0
\$50,000 under \$75,000	14,015,996	81,055,445	81,044,529	0	14,338,006	82,057,678	82,049,505	0
\$75,000 under \$100,000	7,076,366	64,200,816	64,182,788	0	7,549,229	67,565,889	67,547,352	0
\$100,000 under \$200,000	5,506,370	94,578,674	94,511,559	0	6,240,777	105,211,314	105,171,199	0
\$200,000 under \$500,000	687,214	38,339,802	38,285,795	0	815,335	43,592,552	43,530,488	0
\$500,000 under \$1,000,000	67,230	11,811,280	11,771,546	0	74,251	12,911,894	12,866,394	0
\$1,000,000 under \$1,500,000	11,573	4,064,837	4,046,290	0	13,332	4,589,295	4,578,779	0
\$1,500,000 under \$2,000,000	4,316	2,242,679	2,227,404	0	4,736	2,409,127	2,396,978	0
\$2,000,000 under \$5,000,000	5,090	4,441,339	4,418,794	0	7,115	6,531,176	6,501,066	0
\$5,000,000 under \$10,000,000	879	1,833,448	1,822,538	0	967	1,998,088	1,978,024	0
\$10,000,000 or more	347	2,236,622	2,227,150	0	356	2,194,206	2,187,226	0
Returns with Form 8615 tax computation								
Total	141,612	443,840	419,425	-24,414	352,987	902,985	885,659	-17,326
Under \$5,000 [3]	75,994	14,233	18,545	4,312	181,301	39,027	47,623	8,596
\$5,000 under \$10,000	30,456	18,043	29,306	11,263	79,780	46,170	69,668	23,498
\$10,000 under \$15,000	13,373	15,450	18,249	2,798	33,649	43,483	58,843	15,360
\$15,000 under \$20,000	* 4,553	* 8,614	* 14,033	* 5,419	14,763	27,655	35,832	8,177
\$20,000 under \$25,000	* 3,213	* 8,887	* 14,336	* 5,449	9,577	24,562	37,631	13,069
\$25,000 under \$30,000	* 3,240	* 11,754	* 18,576	* 6,821	7,543	26,983	42,337	15,354
\$30,000 under \$40,000	* 2,549	* 12,425	* 17,239	* 4,814	8,489	40,875	63,337	22,462
\$40,000 under \$50,000	* 1,872	* 10,764	* 14,354	* 3,590	* 4,179	* 31,903	* 40,304	* 8,401
\$50,000 under \$75,000	* 2,528	* 29,939	* 27,754	* -2,185	* 3,430	* 38,356	* 35,872	* -2,484
\$75,000 under \$100,000	* 624	* 9,548	* 13,259	* 3,710	* 5,873	* 96,782	* 102,207	* 5,426
\$100,000 under \$200,000	* 1,549	* 44,966	* 33,637	* -11,329	* 2,862	* 91,601	* 68,564	* -23,038
\$200,000 under \$500,000	1,228	96,553	75,326	-21,227	* 761	* 73,915	* 66,722	* -7,193
\$500,000 under \$1,000,000	* 305	* 62,680	* 54,636	* -8,044	* 521	* 107,362	* 70,447	* -36,915
\$1,000,000 under \$1,500,000	* 82	* 33,970	* 28,066	* -5,904	* 122	* 50,575	* 37,882	* -12,693
\$1,500,000 under \$2,000,000	* 16	* 7,785	* 3,477	* -4,307	* 33	* 18,179	* 13,939	* -4,240
\$2,000,000 under \$5,000,000	* 19	* 21,829	* 17,161	* -4,667	83	93,232	63,606	-29,625
\$5,000,000 under \$10,000,000	* 8	* 18,603	* 9,525	* -9,078	** 20	** 52,324	** 30,844	** -21,480
\$10,000,000 or more	* 3	* 17,795	* 11,946	* -5,850	**	**	**	**

Footnotes at end of table.

Individual Income Tax Rates and Shares, 2006

Statistics of Income Bulletin | Winter 2009

Table 4. Returns with Modified Taxable Income: Tax Classified by Type of Tax Computation and by Size of Adjusted Gross Income, Tax Years 2005 and 2006—Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Type of tax computation by size of adjusted gross income	Tax Year 2005				Tax Year 2006			
	Income tax before credits (regular tax computation) [1]		Tax generated	Difference due to special tax computation [2]	Income tax before credits (regular tax computation) [1]		Tax generated	Difference due to special tax computation [2]
	Number of returns	Amount	Amount		Number of returns	Amount	Amount	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Returns with Schedule D and qualified dividends tax computation								
Total	21,677,179	648,370,905	556,720,072	-91,650,833	22,454,716	718,631,459	611,385,367	-107,246,092
Under \$5,000 [3]	138,271	19,243	14,837	-4,407	111,011	15,628	11,468	-4,160
\$5,000 under \$10,000	289,597	82,031	65,888	-16,143	242,149	68,368	54,123	-14,245
\$10,000 under \$15,000	514,733	222,687	189,952	-32,735	452,701	197,873	168,989	-28,883
\$15,000 under \$20,000	612,188	477,144	418,206	-58,938	545,920	442,355	378,009	-64,346
\$20,000 under \$25,000	738,478	848,330	755,385	-92,945	691,658	818,782	725,292	-93,490
\$25,000 under \$30,000	786,326	1,330,149	1,181,694	-148,455	774,299	1,309,110	1,150,340	-158,770
\$30,000 under \$40,000	1,627,410	3,992,041	3,656,318	-335,723	1,519,769	3,779,834	3,418,595	-361,238
\$40,000 under \$50,000	1,745,402	6,727,356	6,217,918	-509,438	1,723,174	6,623,279	6,077,079	-546,200
\$50,000 under \$75,000	4,126,681	26,026,832	24,312,251	-1,714,581	4,242,132	26,806,712	24,869,995	-1,936,716
\$75,000 under \$100,000	3,280,362	32,201,106	30,273,964	-1,927,143	3,468,933	33,797,175	31,508,122	-2,289,054
\$100,000 under \$200,000	5,148,904	103,374,429	96,938,906	-6,435,523	5,687,194	114,413,162	107,019,167	-7,393,996
\$200,000 under \$500,000	1,976,715	125,508,287	112,396,952	-13,111,335	2,213,703	135,163,659	121,345,632	-13,818,027
\$500,000 under \$1,000,000	433,693	81,225,172	70,387,989	-10,837,183	484,755	88,966,725	76,975,222	-11,991,503
\$1,000,000 under \$1,500,000	108,253	38,821,657	33,221,144	-5,600,513	126,768	44,892,947	37,817,421	-7,075,526
\$1,500,000 under \$2,000,000	48,490	25,438,981	21,234,478	-4,204,503	54,002	27,989,726	23,213,317	-4,776,409
\$2,000,000 under \$5,000,000	72,054	67,247,286	54,962,574	-12,284,712	82,486	76,242,725	62,056,547	-14,186,177
\$5,000,000 under \$10,000,000	18,189	39,775,810	31,286,880	-8,488,930	20,987	45,474,554	35,326,266	-10,148,288
\$10,000,000 or more	11,433	95,052,365	69,204,737	-25,847,628	13,076	111,628,845	79,269,782	-32,359,064

* Estimate should be used with caution due to the small number of sample returns on which it is based.

** Data combined to prevent disclosure of certain taxpayer information.

[1] Includes special taxes (tax on lump sum distributions from Form 4972 and tax on election to report child's interest and dividends, Form 8814) not included in tax generated.

[2] The difference between the amount of tax resulting from using provisions of one of the special tax computations and the amount of tax resulting from the regular tax computation.

[3] Includes returns with adjusted gross deficit.

NOTE: Detail may not add to totals because of rounding.

Individual Income Tax Rates and Shares, 2006

Statistics of Income Bulletin | Winter 2009

Table 5. Returns with Positive Adjusted Gross Income (AGI): Number of Returns, Shares of AGI and Total Income Tax, AGI Floor on Percentiles in Current and Constant Dollars, and Average Tax Rates, by Selected Descending Cumulative Percentiles of Returns Based on Income Size Using the Definition of AGI for Each Year, Tax Years 1986-2006

[All figures are estimates based on samples]

Item, tax year	Total	Descending cumulative percentiles				
		Top 1 percent	Top 5 percent	Top 10 percent	Top 25 percent	Top 50 percent
	(1)	(2)	(3)	(4)	(5)	(6)
Number of returns [1]:						
1986	102,087,623	1,020,876	5,104,381	10,208,762	25,521,906	51,043,811
1987	106,154,761	1,061,548	5,307,738	10,615,476	26,538,690	53,077,380
1988	108,872,859	1,088,729	5,443,643	10,887,286	27,218,214	54,436,429
1989	111,312,721	1,113,127	5,565,636	11,131,272	27,828,181	55,656,361
1990	112,812,262	1,128,123	5,640,613	11,281,226	28,203,066	56,406,132
1991	113,804,104	1,138,041	5,690,205	11,380,410	28,451,026	56,902,052
1992	112,652,759	1,126,528	5,632,638	11,265,276	28,163,190	56,326,380
1993	113,681,387	1,136,814	5,684,069	11,368,139	28,420,347	56,840,694
1994	114,989,920	1,149,899	5,749,496	11,498,992	28,747,480	57,494,960
1995	117,274,186	1,172,742	5,863,709	11,727,419	29,318,546	58,637,093
1996	119,441,767	1,194,418	5,972,088	11,944,177	29,860,442	59,720,884
1997	121,503,284	1,215,033	6,075,164	12,150,328	30,375,821	60,751,642
1998	123,775,831	1,237,758	6,188,792	12,377,583	30,943,958	61,887,915
1999	126,008,974	1,260,090	6,300,449	12,600,897	31,502,244	63,004,487
2000	128,227,143	1,282,271	6,411,357	12,822,714	32,056,786	64,113,572
2001	128,817,051	1,288,171	6,440,853	12,881,705	32,204,263	64,408,526
2002	128,323,986	1,283,240	6,416,199	12,832,399	32,080,997	64,161,993
2003	128,609,786	1,286,098	6,430,489	12,860,979	32,152,447	64,304,893
2004	130,371,156	1,303,712	6,518,558	13,037,116	32,592,789	65,185,578
2005	132,611,637	1,326,116	6,630,582	13,261,164	33,152,909	66,305,819
2006	135,719,160	1,357,192	6,785,958	13,571,916	33,929,790	67,859,580
Adjusted gross income floor on percentiles (current dollars):						
1986	N/A	118,818	62,377	48,656	32,242	17,302
1987	N/A	139,289	68,414	52,921	33,983	17,768
1988	N/A	157,136	72,735	55,437	35,398	18,367
1989	N/A	163,869	76,933	58,263	36,839	18,993
1990	N/A	167,421	79,064	60,287	38,080	19,767
1991	N/A	170,139	81,720	61,944	38,929	20,097
1992	N/A	181,904	85,103	64,457	40,378	20,803
1993	N/A	185,715	87,386	66,077	41,210	21,179
1994	N/A	195,726	91,226	68,753	42,742	21,802
1995	N/A	209,406	96,221	72,094	44,207	22,344
1996	N/A	227,546	101,141	74,986	45,757	23,174
1997	N/A	250,736	108,048	79,212	48,173	24,393
1998	N/A	269,496	114,729	83,220	50,607	25,491
1999	N/A	293,415	120,846	87,682	52,965	26,415
2000	N/A	313,469	128,336	92,144	55,225	27,682
2001	N/A	292,913	127,904	92,754	56,085	28,528
2002	N/A	285,424	126,525	92,663	56,401	28,654
2003	N/A	295,495	130,080	94,891	57,343	29,019
2004	N/A	328,049	137,056	99,112	60,041	30,122
2005	N/A	364,657	145,283	103,912	62,068	30,881
2006	N/A	388,806	153,542	108,904	64,702	31,987

Footnotes at end of table.

Individual Income Tax Rates and Shares, 2006

Statistics of Income Bulletin | Winter 2009

Table 5. Returns with Positive Adjusted Gross Income (AGI): Number of Returns, Shares of AGI and Total Income Tax, AGI Floor on Percentiles in Current and Constant Dollars, and Average Tax Rates, by Selected Descending Cumulative Percentiles of Returns Based on Income Size Using the Definition of AGI for Each Year, Tax Years 1986-2006—Continued

[All figures are estimates based on samples]

Item, tax year	Total	Descending cumulative percentiles				
		Top 1 percent	Top 5 percent	Top 10 percent	Top 25 percent	Top 50 percent
	(1)	(2)	(3)	(4)	(5)	(6)
Adjusted gross income floor on percentiles (constant dollars) [2]:						
1986	N/A	108,411	56,913	44,394	29,418	15,786
1987	N/A	122,614	60,224	46,585	29,915	15,641
1988	N/A	132,828	61,484	46,861	29,922	15,526
1989	N/A	132,152	62,043	46,986	29,709	15,317
1990	N/A	128,096	60,493	46,126	29,135	15,124
1991	N/A	124,919	60,000	45,480	28,582	14,756
1992	N/A	129,654	60,658	45,942	28,780	14,828
1993	N/A	128,522	60,475	45,728	28,519	14,657
1994	N/A	132,069	61,556	46,392	28,841	14,711
1995	N/A	137,406	63,137	47,306	29,007	14,661
1996	N/A	145,026	64,462	47,792	29,163	14,769
1997	N/A	156,222	67,320	49,353	30,014	15,198
1998	N/A	164,427	69,999	50,775	30,877	15,553
1999	N/A	176,119	72,537	52,630	31,792	15,855
2000	N/A	182,038	74,527	53,510	32,070	16,075
2001	N/A	165,394	72,221	52,374	31,669	16,108
2002	N/A	158,657	70,331	51,508	31,351	15,928
2003	N/A	160,595	70,696	51,571	31,165	15,771
2004	N/A	173,663	72,555	52,468	31,785	15,946
2005	N/A	186,716	74,390	53,206	31,781	15,812
2006	N/A	192,860	76,162	54,020	32,094	15,867
Adjusted gross income (millions of current dollars):						
1986	2,524,124	285,197	608,467	886,510	1,490,173	2,103,569
1987	2,813,728	346,635	722,221	1,038,221	1,709,389	2,373,869
1988	3,124,156	473,527	890,702	1,232,536	1,950,860	2,657,865
1989	3,298,858	468,079	918,421	1,286,539	2,054,478	2,805,235
1990	3,451,237	483,252	953,337	1,338,032	2,144,177	2,932,537
1991	3,516,142	456,603	943,350	1,343,202	2,174,765	2,984,003
1992	3,680,552	523,586	1,031,093	1,443,784	2,299,401	3,131,400
1993	3,775,578	520,586	1,048,252	1,474,463	2,357,953	3,212,299
1994	3,961,146	546,700	1,103,084	1,552,205	2,481,074	3,371,352
1995	4,244,607	619,610	1,222,723	1,704,513	2,689,820	3,627,542
1996	4,590,527	736,545	1,393,805	1,909,149	2,952,637	3,944,383
1997	5,023,457	872,826	1,597,107	2,151,401	3,267,600	4,327,992
1998	5,469,211	1,010,245	1,796,647	2,393,716	3,589,600	4,721,430
1999	5,909,329	1,152,820	2,011,763	2,652,835	3,927,308	5,126,164
2000	6,423,977	1,336,773	2,267,403	2,955,386	4,313,786	5,589,755
2001	6,241,036	1,094,296	1,996,492	2,690,589	4,071,034	5,379,286
2002	6,113,778	985,781	1,867,787	2,553,475	3,935,504	5,244,029
2003	6,287,586	1,054,567	1,960,676	2,663,470	4,078,227	5,407,851
2004	6,875,123	1,306,417	2,299,595	3,049,275	4,546,401	5,952,781
2005	7,507,958	1,591,711	2,683,934	3,487,010	5,069,455	6,544,824
2006	8,122,040	1,791,886	2,977,714	3,843,144	5,535,830	7,105,599

Footnotes at end of table.

Individual Income Tax Rates and Shares, 2006

Statistics of Income Bulletin | Winter 2009

Table 5. Returns with Positive Adjusted Gross Income (AGI): Number of Returns, Shares of AGI and Total Income Tax, AGI Floor on Percentiles in Current and Constant Dollars, and Average Tax Rates, by Selected Descending Cumulative Percentiles of Returns Based on Income Size Using the Definition of AGI for Each Year, Tax Years 1986-2006—Continued

[All figures are estimates based on samples]

Item, tax year	Total	Descending cumulative percentiles				
		Top 1 percent	Top 5 percent	Top 10 percent	Top 25 percent	Top 50 percent
	(1)	(2)	(3)	(4)	(5)	(6)
Total income tax (millions of current dollars) [3]:						
1986	366,979	94,491	156,240	200,703	278,976	343,289
1987	369,046	91,559	159,642	205,230	283,857	346,655
1988	412,761	113,841	188,303	236,411	321,297	389,145
1989	432,838	109,259	190,188	241,458	334,258	407,599
1990	447,061	112,338	195,088	247,514	344,340	421,075
1991	448,349	111,267	194,480	250,282	346,511	423,759
1992	476,163	131,156	218,479	276,213	373,700	452,070
1993	502,720	145,836	238,083	297,808	398,516	478,563
1994	534,754	154,337	254,106	317,902	425,402	509,256
1995	588,331	178,035	287,741	357,402	472,808	561,225
1996	658,124	212,626	335,433	411,404	535,164	629,684
1997	727,303	241,239	377,241	459,639	594,007	696,161
1998	788,452	274,009	424,506	512,836	651,964	755,240
1999	877,292	317,419	486,464	583,002	732,890	842,168
2000	980,521	366,929	553,670	660,150	823,706	942,179
2001	887,882	300,898	472,823	576,163	736,053	852,642
2002	796,862	268,608	428,680	523,812	668,558	768,963
2003	747,939	256,340	406,597	492,452	627,380	722,027
2004	831,890	306,902	475,224	567,273	705,915	804,471
2005	934,703	368,132	557,759	657,085	803,772	906,028
2006	1,023,739	408,369	615,680	724,740	883,153	993,176
Average tax rate (percentage) [4]:						
1986	14.54	33.13	25.68	22.64	18.72	16.32
1987	13.12	26.41	22.10	19.77	16.61	14.60
1988	13.21	24.04	21.14	19.18	16.47	14.64
1989	13.12	23.34	20.71	18.77	16.27	14.53
1990	12.95	23.25	20.46	18.50	16.06	14.36
1991	12.75	24.37	20.62	18.63	15.93	14.20
1992	12.94	25.05	21.19	19.13	16.25	14.44
1993	13.32	28.01	22.71	20.20	16.90	14.90
1994	13.50	28.23	23.04	20.48	17.15	15.11
1995	13.86	28.73	23.53	20.97	17.58	15.47
1996	14.34	28.87	24.07	21.55	18.12	15.96
1997	14.48	27.64	23.62	21.36	18.18	16.09
1998	14.42	27.12	23.63	21.42	18.16	16.00
1999	14.85	27.53	24.18	21.98	18.66	16.43
2000	15.26	27.45	24.42	22.34	19.09	16.86
2001	14.23	27.50	23.68	21.41	18.08	15.85
2002	13.03	27.25	22.95	20.51	16.99	14.66
2003	11.90	24.31	20.74	18.49	15.38	13.35
2004	12.10	23.49	20.67	18.60	15.53	13.51
2005	12.45	23.13	20.78	18.84	15.86	13.84
2006	12.60	22.79	20.68	18.86	15.95	13.98

Footnotes at end of table.

Individual Income Tax Rates and Shares, 2006

Statistics of Income Bulletin | Winter 2009

Table 5. Returns with Positive Adjusted Gross Income (AGI): Number of Returns, Shares of AGI and Total Income Tax, AGI Floor on Percentiles in Current and Constant Dollars, and Average Tax Rates, by Selected Descending Cumulative Percentiles of Returns Based on Income Size Using the Definition of AGI for Each Year, Tax Years 1986-2006—Continued

[All figures are estimates based on samples]

Item, tax year	Total	Descending cumulative percentiles				
		Top 1 percent	Top 5 percent	Top 10 percent	Top 25 percent	Top 50 percent
	(1)	(2)	(3)	(4)	(5)	(6)
Adjusted gross income share (percentage):						
1986	100.00	11.30	24.11	35.12	59.04	83.34
1987	100.00	12.32	25.67	36.90	60.75	84.37
1988	100.00	15.16	28.51	39.45	62.44	85.07
1989	100.00	14.19	27.84	39.00	62.28	85.04
1990	100.00	14.00	27.62	38.77	62.13	84.97
1991	100.00	12.99	26.83	38.20	61.85	84.87
1992	100.00	14.23	28.01	39.23	62.47	85.08
1993	100.00	13.79	27.76	39.05	62.45	85.08
1994	100.00	13.80	27.85	39.19	62.64	85.11
1995	100.00	14.60	28.81	40.16	63.37	85.46
1996	100.00	16.04	30.36	41.59	64.32	85.92
1997	100.00	17.38	31.79	42.83	65.05	86.16
1998	100.00	18.47	32.85	43.77	65.63	86.33
1999	100.00	19.51	34.04	44.89	66.46	86.75
2000	100.00	20.81	35.30	46.01	67.15	87.01
2001	100.00	17.53	31.99	43.11	65.23	86.19
2002	100.00	16.12	30.55	41.77	64.37	85.77
2003	100.00	16.77	31.18	42.36	64.86	86.01
2004	100.00	19.00	33.45	44.35	66.13	86.58
2005	100.00	21.20	35.75	46.44	67.52	87.17
2006	100.00	22.06	36.66	47.32	68.16	87.49
Total income tax share (percentage):						
1986	100.00	25.75	42.57	54.69	76.02	93.54
1987	100.00	24.81	43.26	55.61	76.92	93.93
1988	100.00	27.58	45.62	57.28	77.84	94.28
1989	100.00	25.24	43.94	55.78	77.22	94.17
1990	100.00	25.13	43.64	55.36	77.02	94.19
1991	100.00	24.82	43.38	55.82	77.29	94.52
1992	100.00	27.54	45.88	58.01	78.48	94.94
1993	100.00	29.01	47.36	59.24	79.27	95.19
1994	100.00	28.86	47.52	59.45	79.55	95.23
1995	100.00	30.26	48.91	60.75	80.36	95.39
1996	100.00	32.31	50.97	62.51	81.32	95.68
1997	100.00	33.17	51.87	63.20	81.67	95.72
1998	100.00	34.75	53.84	65.04	82.69	95.79
1999	100.00	36.18	55.45	66.45	83.54	96.00
2000	100.00	37.42	56.47	67.33	84.01	96.09
2001	100.00	33.89	53.25	64.89	82.90	96.03
2002	100.00	33.71	53.80	65.73	83.90	96.50
2003	100.00	34.27	54.36	65.84	83.88	96.54
2004	100.00	36.89	57.13	68.19	84.86	96.70
2005	100.00	39.38	59.67	70.30	85.99	96.93
2006	100.00	39.89	60.14	70.79	86.27	97.01

N/A—Not applicable.

[1] The number of returns with negative adjusted gross income, i.e., returns with an adjusted gross deficit, and the corresponding amounts for adjusted gross deficit, were excluded from Table 5. By excluding deficit returns, alternative minimum tax reported on some of these returns was also excluded. For Tax Year 2006, there were 6,301 returns with no adjusted gross income that reported income tax.

[2] For Table 5, constant dollars were calculated using the U.S. Bureau of Labor Statistics' consumer price index for urban consumers (CPI-U, 1982-84=100). For 2006, the CPI-U = 201.6.

[3] Total income tax is income tax after credits (includes alternative minimum tax) reported on returns that showed a positive amount for adjusted gross income. Therefore, total income tax excludes alternative minimum tax, Form 8814 tax (tax on a child's interest or dividends), and Form 4972 tax (tax on lump-sum distributions from qualified retirement plans) reported on some returns with a negative amount for adjusted gross income. See also footnote 1.

[4] The average tax rate was computed by dividing total income tax (see footnote 3) by (positive) adjusted gross income.

Individual Income Tax Rates and Shares, 2006

Statistics of Income Bulletin | Winter 2009

Table 6. Returns with Positive Adjusted Gross Income (AGI): Number of Returns, Shares of AGI and Total Income Tax, and Average Tax Rates, by Selected Ascending Cumulative Percentiles of Returns Based on Income Size Using the Definition of AGI for Each Year, Tax Years 1986-2006

[All figures are estimates based on samples]

Item, tax year	Total	Ascending cumulative percentiles				
		Bottom 50 percent	Bottom 75 percent	Bottom 90 percent	Bottom 95 percent	Bottom 99 percent
	(1)	(2)	(3)	(4)	(5)	(6)
Number of returns [1]:						
1986	102,087,623	51,043,811	76,565,717	91,878,861	96,983,242	101,066,747
1987	106,154,761	53,077,380	79,616,071	95,539,285	100,847,023	105,093,213
1988	108,872,858	54,436,429	81,654,643	97,985,572	103,429,215	107,784,129
1989	111,312,721	55,656,361	83,484,542	100,181,451	105,747,087	110,199,596
1990	112,812,262	56,406,132	84,609,198	101,531,038	107,171,651	111,684,141
1991	113,804,104	56,902,052	85,353,078	102,423,694	108,113,899	112,666,063
1992	112,652,759	56,326,380	84,489,560	101,387,483	107,020,121	111,526,231
1993	113,681,387	56,840,693	85,261,040	102,313,248	107,997,318	112,544,573
1994	114,989,920	57,494,960	86,242,440	103,490,928	109,240,424	113,840,021
1995	117,274,186	58,637,093	87,955,640	105,546,767	111,410,477	116,101,444
1996	119,441,767	59,720,883	89,581,325	107,497,590	113,469,679	118,247,349
1997	121,503,284	60,751,642	91,127,463	109,352,956	115,428,120	120,288,251
1998	123,775,831	61,887,916	92,831,873	111,398,248	117,587,039	122,538,073
1999	126,008,974	63,004,487	94,506,731	113,408,077	119,708,525	124,748,884
2000	128,227,143	64,113,572	96,170,357	115,404,429	121,815,786	126,944,872
2001	128,817,051	64,408,526	96,612,788	115,935,346	122,376,198	127,528,880
2002	128,323,986	64,161,993	96,242,990	115,491,587	121,907,787	127,040,746
2003	128,609,786	64,304,893	96,457,340	115,748,807	122,179,297	127,323,688
2004	130,371,156	65,185,578	97,778,367	117,334,040	123,852,598	129,067,444
2005	132,611,637	66,305,819	99,458,728	119,350,473	125,981,055	131,285,521
2006	135,719,160	67,859,580	101,789,370	122,147,244	128,933,202	134,361,968
Adjusted gross income (millions of current dollars):						
1986	2,524,124	420,555	1,033,951	1,637,614	1,915,657	2,238,927
1987	2,813,728	439,859	1,104,338	1,775,506	2,091,507	2,467,093
1988	3,124,156	466,291	1,173,296	1,891,620	2,233,454	2,650,629
1989	3,298,858	493,623	1,244,380	2,012,319	2,380,437	2,830,779
1990	3,451,237	518,700	1,307,060	2,113,205	2,497,900	2,967,985
1991	3,516,142	532,138	1,341,377	2,172,939	2,572,792	3,059,539
1992	3,680,552	549,152	1,381,151	2,236,768	2,649,459	3,156,966
1993	3,775,578	563,279	1,417,625	2,301,115	2,727,326	3,254,992
1994	3,961,146	589,795	1,480,073	2,408,941	2,858,063	3,414,447
1995	4,244,607	617,065	1,554,788	2,540,094	3,021,884	3,624,997
1996	4,590,527	646,144	1,637,891	2,681,378	3,196,723	3,853,983
1997	5,023,457	695,465	1,755,857	2,872,056	3,426,350	4,150,631
1998	5,469,211	747,781	1,879,611	3,075,495	3,672,564	4,458,967
1999	5,909,329	783,164	1,982,021	3,256,494	3,897,565	4,756,509
2000	6,423,977	834,222	2,110,190	3,468,590	4,156,573	5,087,204
2001	6,241,036	861,750	2,170,001	3,550,447	4,244,543	5,146,740
2002	6,113,778	869,750	2,178,274	3,560,303	4,245,991	5,127,997
2003	6,287,586	879,735	2,209,359	3,624,117	4,326,911	5,233,019
2004	6,875,123	922,342	2,328,722	3,825,848	4,575,529	5,568,706
2005	7,507,958	963,135	2,438,504	4,020,948	4,824,024	5,916,248
2006	8,122,040	1,016,441	2,586,209	4,278,895	5,144,325	6,330,153

Footnotes at end of table.

Individual Income Tax Rates and Shares, 2006

Statistics of Income Bulletin | Winter 2009

Table 6. Returns with Positive Adjusted Gross Income (AGI): Number of Returns, Shares of AGI and Total Income Tax, and Average Tax Rates, by Selected Ascending Cumulative Percentiles of Returns Based on Income Size Using the Definition of AGI for Each Year, Tax Years 1986-2006—Continued

[All figures are estimates based on samples]

Item, tax year	Total	Ascending cumulative percentiles				
		Bottom 50 percent	Bottom 75 percent	Bottom 90 percent	Bottom 95 percent	Bottom 99 percent
	(1)	(2)	(3)	(4)	(5)	(6)
Total income tax (millions of current dollars) [2]:						
1986	366,979	23,690	88,002	166,276	210,739	272,488
1987	369,046	22,391	85,189	163,816	209,404	277,488
1988	412,761	23,616	91,464	176,350	224,459	298,920
1989	432,838	25,239	98,580	191,380	242,650	323,579
1990	447,061	25,986	102,721	199,547	251,973	334,723
1991	448,349	24,554	101,837	198,067	253,869	337,081
1992	476,163	24,093	102,463	199,950	257,683	345,007
1993	502,720	24,157	104,203	204,912	264,637	356,884
1994	534,754	25,499	109,353	216,852	280,648	380,418
1995	588,331	27,106	115,523	230,929	300,590	410,296
1996	658,124	28,440	122,960	246,720	322,691	445,498
1997	727,303	31,134	133,296	267,664	350,062	486,064
1998	788,452	33,212	136,488	275,615	363,946	514,442
1999	877,292	35,126	144,402	294,290	390,828	559,874
2000	980,521	38,343	156,816	320,371	426,851	613,592
2001	887,882	35,239	151,826	311,719	415,059	586,984
2002	796,862	27,899	128,304	273,050	368,182	528,254
2003	747,939	25,912	120,564	255,486	341,341	491,597
2004	831,890	27,418	125,973	264,617	356,666	524,988
2005	934,703	28,673	130,930	277,618	376,942	566,571
2006	1,023,739	30,561	140,586	298,999	408,058	615,370
Average tax rate (percentage) [3]:						
1986	14.54	5.63	8.51	10.15	11.00	12.17
1987	13.12	5.09	7.71	9.23	10.01	11.25
1988	13.21	5.06	7.80	9.32	10.05	11.28
1989	13.12	5.11	7.92	9.51	10.19	11.43
1990	12.95	5.01	7.86	9.44	10.09	11.28
1991	12.75	4.61	7.59	9.12	9.87	11.04
1992	12.94	4.39	7.42	8.94	9.73	10.93
1993	13.32	4.29	7.35	8.90	9.70	10.96
1994	13.50	4.32	7.39	9.00	9.82	11.14
1995	13.86	4.39	7.43	9.09	9.95	11.32
1996	14.34	4.40	7.51	9.20	10.09	11.56
1997	14.48	4.48	7.59	9.32	10.22	11.71
1998	14.42	4.44	7.26	8.96	9.91	11.54
1999	14.85	4.49	7.29	9.04	10.03	11.77
2000	15.26	4.60	7.43	9.24	10.27	12.06
2001	14.23	4.09	7.00	8.78	9.78	11.41
2002	13.03	3.21	5.89	7.67	8.67	10.30
2003	11.90	2.95	5.46	7.05	7.89	9.39
2004	12.10	2.97	5.41	6.92	7.80	9.43
2005	12.45	2.98	5.37	6.90	7.81	9.58
2006	12.60	3.01	5.44	6.99	7.93	9.72

Footnotes at end of table.

Individual Income Tax Rates and Shares, 2006

Statistics of Income Bulletin | Winter 2009

Table 6. Returns with Positive Adjusted Gross Income (AGI): Number of Returns, Shares of AGI and Total Income Tax, and Average Tax Rates, by Selected Ascending Cumulative Percentiles of Returns Based on Income Size Using the Definition of AGI for Each Year, Tax Years 1986-2006—Continued

[All figures are estimates based on samples]

Item, tax year	Total	Ascending cumulative percentiles				
		Bottom 50 percent	Bottom 75 percent	Bottom 90 percent	Bottom 95 percent	Bottom 99 percent
	(1)	(2)	(3)	(4)	(5)	(6)
Adjusted gross income share (percentage):						
1986	100.00	16.66	40.96	64.88	75.89	88.70
1987	100.00	15.63	39.25	63.10	74.33	87.68
1988	100.00	14.93	37.56	60.55	71.49	84.84
1989	100.00	14.96	37.72	61.00	72.16	85.81
1990	100.00	15.03	37.87	61.23	72.38	86.00
1991	100.00	15.13	38.15	61.80	73.17	87.01
1992	100.00	14.92	37.53	60.77	71.99	85.77
1993	100.00	14.92	37.55	60.95	72.24	86.21
1994	100.00	14.89	37.36	60.81	72.15	86.20
1995	100.00	14.54	36.63	59.84	71.19	85.40
1996	100.00	14.08	35.68	58.41	69.64	83.96
1997	100.00	13.84	34.95	57.17	68.21	82.63
1998	100.00	13.67	34.37	56.23	67.15	81.53
1999	100.00	13.25	33.54	55.11	65.96	80.49
2000	100.00	12.99	32.85	53.99	64.70	79.19
2001	100.00	13.81	34.77	56.89	68.01	82.47
2002	100.00	14.23	35.63	58.23	69.45	83.88
2003	100.00	13.99	35.14	57.64	68.82	83.23
2004	100.00	13.42	33.87	55.65	66.55	81.00
2005	100.00	12.83	32.48	53.56	64.25	78.80
2006	100.00	12.51	31.84	52.68	63.34	77.94
Total income tax share (percentage):						
1986	100.00	6.46	23.98	45.31	57.43	74.25
1987	100.00	6.07	23.08	44.39	56.74	75.19
1988	100.00	5.72	22.16	42.72	54.38	72.42
1989	100.00	5.83	22.78	44.22	56.06	74.76
1990	100.00	5.81	22.98	44.64	56.36	74.87
1991	100.00	5.48	22.71	44.18	56.62	75.18
1992	100.00	5.06	21.52	41.99	54.12	72.46
1993	100.00	4.81	20.73	40.76	52.64	70.99
1994	100.00	4.77	20.45	40.55	52.48	71.14
1995	100.00	4.61	19.64	39.25	51.09	69.74
1996	100.00	4.32	18.68	37.49	49.03	67.69
1997	100.00	4.28	18.33	36.80	48.13	66.83
1998	100.00	4.21	17.31	34.96	46.16	65.25
1999	100.00	4.00	16.46	33.55	44.55	63.82
2000	100.00	3.91	15.99	32.67	43.53	62.58
2001	100.00	3.97	17.10	35.11	46.75	66.11
2002	100.00	3.50	16.10	34.27	46.20	66.29
2003	100.00	3.46	16.12	34.16	45.64	65.73
2004	100.00	3.30	15.14	31.81	42.87	63.11
2005	100.00	3.07	14.01	29.70	40.33	60.62
2006	100.00	2.99	13.73	29.21	39.86	60.11

[1] The number of returns with negative adjusted gross income, i.e., returns with an adjusted gross deficit, and the corresponding amounts for adjusted gross deficit, were excluded from Table 6. By excluding deficit returns, alternative minimum tax reported on some of these returns was also excluded. For Tax Year 2006, there were 6,301 returns with no adjusted gross income that reported income tax.

[2] Total income tax is income tax after credits (includes alternative minimum tax) reported on returns that showed a positive amount for adjusted gross income. Therefore, total income tax excludes alternative minimum tax, Form 8814 tax (tax on a child's interest, dividends or capital gains), and Form 4972 tax (tax on lump-sum distributions from qualified retirement plans) reported on some returns with a negative amount for adjusted gross income. See also footnote 1.

[3] The average tax rate was computed by dividing total income tax (see footnote 2) by (positive) adjusted gross income.

Individual Income Tax Rates and Shares, 2006

Statistics of Income Bulletin | Winter 2009

Table 7. Returns with Positive "1979 Income Concept" Income: Number of Returns, Shares of Income and Total Income Tax, Income Floor on Percentiles in Current and Constant Dollars, and Average Tax Rates, by Selected Descending Cumulative Percentiles of Returns Based on Income Size, Tax Years 1986-2006

[All figures are estimates based on samples]

Item, tax year	Total	Descending cumulative percentiles				
		Top 1 percent	Top 5 percent	Top 10 percent	Top 25 percent	Top 50 percent
	(1)	(2)	(3)	(4)	(5)	(6)
Number of returns [1]:						
1986	101,988,805	1,019,888	5,099,440	10,198,881	25,497,201	50,994,402
1987	106,191,624	1,061,916	5,309,581	10,619,162	26,547,906	53,095,812
1988	108,879,154	1,088,792	5,443,958	10,887,915	27,219,788	54,439,577
1989	111,328,835	1,113,288	5,566,442	11,132,884	27,832,209	55,664,418
1990	112,717,959	1,127,180	5,635,898	11,271,796	28,179,490	56,358,980
1991	113,823,123	1,138,231	5,691,156	11,382,312	28,455,781	56,911,562
1992	112,687,747	1,126,877	5,634,387	11,268,775	28,171,937	56,343,874
1993	113,721,706	1,137,217	5,686,085	11,372,171	28,430,426	56,860,853
1994	115,061,112	1,150,611	5,753,056	11,506,111	28,765,278	57,530,556
1995	117,333,779	1,173,338	5,866,689	11,733,378	29,333,445	58,666,889
1996	119,487,813	1,194,878	5,974,391	11,948,781	29,871,953	59,743,906
1997	121,555,156	1,215,552	6,077,758	12,155,516	30,388,789	60,777,578
1998	123,852,016	1,238,520	6,192,601	12,385,202	30,963,004	61,926,008
1999	126,107,596	1,261,076	6,305,380	12,610,760	31,526,899	63,053,798
2000	128,340,271	1,283,403	6,417,014	12,834,027	32,085,068	64,170,135
2001	128,863,007	1,288,630	6,443,150	12,886,301	32,215,752	64,431,504
2002	128,415,184	1,284,152	6,420,759	12,841,518	32,103,796	64,207,592
2003	128,757,145	1,287,571	6,437,857	12,875,715	32,189,286	64,378,573
2004	130,508,966	1,305,090	6,525,448	13,050,897	32,627,242	65,254,483
2005	132,730,734	1,327,307	6,636,537	13,273,073	33,182,684	66,365,367
2006	135,854,749	1,358,547	6,792,737	13,585,475	33,963,687	67,927,375
Income floor on percentiles (current dollars):						
1986	N/A	147,863	68,362	52,035	33,623	17,909
1987	N/A	145,624	69,222	53,094	34,165	17,959
1988	N/A	161,774	73,451	55,532	35,432	18,534
1989	N/A	169,603	77,542	58,429	36,783	19,152
1990	N/A	174,813	80,400	60,623	38,026	19,947
1991	N/A	180,268	83,300	62,413	38,913	20,302
1992	N/A	197,031	87,370	65,283	40,423	21,041
1993	N/A	199,698	88,992	66,685	41,013	21,390
1994	N/A	210,742	93,186	69,118	42,480	22,000
1995	N/A	224,523	98,420	72,210	43,860	22,575
1996	N/A	246,268	103,489	75,574	45,508	23,378
1997	N/A	268,889	110,949	79,598	47,738	24,551
1998	N/A	301,513	120,262	84,904	50,232	25,612
1999	N/A	332,253	126,643	89,172	52,399	26,487
2000	N/A	353,945	134,128	93,715	54,592	27,647
2001	N/A	323,861	131,728	93,633	55,203	28,404
2002	N/A	315,937	132,253	93,833	55,695	28,541
2003	N/A	327,160	134,818	96,021	56,573	28,896
2004	N/A	363,905	142,975	100,957	59,112	29,899
2005	N/A	402,354	152,048	105,958	61,055	30,588
2006	N/A	437,036	162,043	111,560	63,694	31,693

Footnotes at end of table.

Individual Income Tax Rates and Shares, 2006

Statistics of Income Bulletin | Winter 2009

Table 7. Returns with Positive "1979 Income Concept" Income: Number of Returns, Shares of Income and Total Income Tax, Income Floor on Percentiles in Current and Constant Dollars, and Average Tax Rates, by Selected Descending Cumulative Percentiles of Returns Based on Income Size, Tax Years 1986-2006—Continued

[All figures are estimates based on samples]

Item, tax year	Total	Descending cumulative percentiles				
		Top 1 percent	Top 5 percent	Top 10 percent	Top 25 percent	Top 50 percent
	(1)	(2)	(3)	(4)	(5)	(6)
Income floor on percentiles (constant dollars) [2]:						
1986	N/A	134,912	62,374	47,477	30,678	16,340
1987	N/A	128,190	60,935	46,738	30,075	15,809
1988	N/A	136,749	62,089	46,942	29,951	15,667
1989	N/A	136,777	62,534	47,120	29,664	15,445
1990	N/A	133,751	61,515	46,383	29,094	15,262
1991	N/A	132,355	61,160	45,825	28,571	14,906
1992	N/A	140,436	62,274	46,531	28,812	14,997
1993	N/A	138,199	61,586	46,149	28,383	14,803
1994	N/A	142,201	62,879	46,638	28,664	14,845
1995	N/A	147,325	64,580	47,382	28,780	14,813
1996	N/A	156,959	65,959	48,167	29,004	14,900
1997	N/A	167,532	69,127	49,594	29,743	15,297
1998	N/A	183,962	73,375	51,802	30,648	15,627
1999	N/A	199,432	76,016	53,525	31,452	15,899
2000	N/A	205,543	77,891	54,422	31,703	16,055
2001	N/A	182,869	74,381	52,870	31,171	16,038
2002	N/A	175,618	73,515	52,158	30,959	15,865
2003	N/A	177,804	73,271	52,185	30,746	15,704
2004	N/A	192,644	75,688	53,445	31,293	15,828
2005	N/A	206,018	77,854	54,254	31,262	15,662
2006	N/A	216,784	80,378	55,337	31,594	15,721
Income (millions of current dollars):						
1986	2,804,691	427,513	796,935	1,097,550	1,732,231	2,368,620
1987	2,856,118	363,880	749,240	1,067,438	1,741,747	2,411,715
1988	3,153,639	484,675	911,170	1,255,108	1,973,061	2,683,524
1989	3,336,571	486,976	947,363	1,317,619	2,085,003	2,838,481
1990	3,497,118	504,687	987,582	1,376,162	2,182,091	2,973,847
1991	3,577,337	478,756	985,590	1,390,924	2,224,979	3,038,428
1992	3,763,002	556,421	1,090,019	1,509,728	2,369,701	3,206,490
1993	3,849,532	554,075	1,105,014	1,537,285	2,422,475	3,278,866
1994	4,033,642	579,564	1,161,972	1,617,250	2,544,400	3,436,167
1995	4,317,506	653,717	1,284,726	1,772,890	2,754,988	3,692,267
1996	4,670,644	772,868	1,462,979	1,984,931	3,025,107	4,015,461
1997	5,112,706	918,007	1,679,877	2,242,353	3,353,245	4,409,075
1998	5,626,390	1,072,779	1,925,214	2,542,399	3,742,006	4,869,467
1999	6,082,931	1,236,081	2,166,370	2,825,789	4,099,929	5,290,805
2000	6,601,494	1,424,436	2,430,957	3,138,299	4,495,910	5,758,808
2001	6,361,523	1,159,037	2,121,055	2,828,677	4,202,776	5,491,703
2002	6,262,714	1,057,775	2,005,658	2,712,226	4,092,069	5,383,263
2003	6,429,711	1,122,582	2,091,401	2,813,645	4,226,517	5,539,087
2004	7,044,141	1,383,978	2,453,830	3,228,229	4,726,625	6,111,786
2005	7,701,103	1,678,406	2,863,229	3,694,152	5,278,659	6,729,456
2006	8,365,645	1,900,311	3,202,445	4,101,178	5,798,340	7,340,135

Footnotes at end of table.

Individual Income Tax Rates and Shares, 2006

Statistics of Income Bulletin | Winter 2009

Table 7. Returns with Positive "1979 Income Concept" Income: Number of Returns, Shares of Income and Total Income Tax, Income Floor on Percentiles in Current and Constant Dollars, and Average Tax Rates, by Selected Descending Cumulative Percentiles of Returns Based on Income Size, Tax Years 1986-2006—Continued

[All figures are estimates based on samples]

Item, tax year	Total	Descending cumulative percentiles				
		Top 1 percent	Top 5 percent	Top 10 percent	Top 25 percent	Top 50 percent
	(1)	(2)	(3)	(4)	(5)	(6)
Total income tax (millions of current dollars) [3]:						
1986	366,763	93,128	155,553	198,862	277,578	342,296
1987	368,924	89,908	158,485	204,050	282,970	346,228
1988	412,549	112,208	186,793	235,121	320,152	388,631
1989	432,643	107,508	188,588	240,229	333,285	407,106
1990	446,906	110,530	192,991	245,856	342,926	420,345
1991	448,177	107,926	192,548	246,745	345,168	423,180
1992	476,067	127,361	216,303	272,361	372,352	451,494
1993	502,638	142,329	235,908	294,238	397,261	477,997
1994	534,693	150,133	250,770	314,909	423,743	508,540
1995	588,292	173,877	284,036	354,427	471,035	560,748
1996	658,059	208,071	331,404	407,726	532,750	628,918
1997	731,123	238,978	376,046	459,674	595,060	699,131
1998	783,437	262,464	413,303	503,577	644,182	749,547
1999	877,199	307,382	479,531	577,903	729,679	841,172
2000	980,459	355,911	546,102	654,155	819,937	941,304
2001	887,770	291,907	466,057	570,430	732,094	851,539
2002	796,763	259,192	420,834	517,937	664,670	767,890
2003	747,800	248,107	400,202	487,657	624,070	720,861
2004	831,815	297,199	467,728	562,092	702,203	803,521
2005	934,524	359,060	549,667	651,220	800,022	904,857
2006	1,023,556	396,274	605,877	717,713	878,565	991,763
Average tax rate (percentage) [4]:						
1986	13.08	21.78	19.52	18.12	16.02	14.45
1987	12.92	24.71	21.15	19.12	16.25	14.36
1988	13.08	23.15	20.50	18.73	16.23	14.48
1989	12.97	22.08	19.91	18.23	15.98	14.34
1990	12.78	21.90	19.54	17.87	15.72	14.13
1991	12.53	22.54	19.54	17.74	15.51	13.93
1992	12.65	22.89	19.84	18.04	15.71	14.08
1993	13.06	25.69	21.35	19.14	16.40	14.58
1994	13.26	25.90	21.58	19.47	16.65	14.80
1995	13.63	26.60	22.11	19.99	17.10	15.19
1996	14.09	26.92	22.65	20.54	17.61	15.66
1997	14.30	26.03	22.39	20.50	17.75	15.86
1998	13.92	24.47	21.47	19.81	17.21	15.39
1999	14.42	24.87	22.14	20.45	17.80	15.90
2000	14.85	24.99	22.46	20.84	18.24	16.35
2001	13.96	25.19	21.97	20.17	17.42	15.51
2002	12.72	24.50	20.98	19.10	16.24	14.26
2003	11.63	22.10	19.14	17.33	14.77	13.01
2004	11.81	21.47	19.06	17.41	14.86	13.15
2005	12.13	21.39	19.20	17.63	15.16	13.45
2006	12.24	20.85	18.92	17.50	15.15	13.51

Footnotes at end of table.

Individual Income Tax Rates and Shares, 2006

Statistics of Income Bulletin | Winter 2009

Table 7. Returns with Positive "1979 Income Concept" Income: Number of Returns, Shares of Income and Total Income Tax, Income Floor on Percentiles in Current and Constant Dollars, and Average Tax Rates, by Selected Descending Cumulative Percentiles of Returns Based on Income Size, Tax Years 1986-2006—Continued

[All figures are estimates based on samples]

Item, tax year	Total	Descending cumulative percentiles				
		Top 1 percent	Top 5 percent	Top 10 percent	Top 25 percent	Top 50 percent
	(1)	(2)	(3)	(4)	(5)	(6)
Income share (percentage):						
1986	100.00	15.24	28.41	39.13	61.76	84.45
1987	100.00	12.74	26.23	37.37	60.98	84.44
1988	100.00	15.37	28.89	39.80	62.56	85.09
1989	100.00	14.60	28.39	39.49	62.49	85.07
1990	100.00	14.43	28.24	39.35	62.40	85.04
1991	100.00	13.38	27.55	38.88	62.20	84.94
1992	100.00	14.79	28.97	40.12	62.97	85.21
1993	100.00	14.39	28.71	39.93	62.93	85.18
1994	100.00	14.37	28.81	40.09	63.08	85.19
1995	100.00	15.14	29.76	41.06	63.81	85.52
1996	100.00	16.55	31.32	42.50	64.77	85.97
1997	100.00	17.96	32.86	43.86	65.59	86.24
1998	100.00	19.07	34.22	45.19	66.51	86.55
1999	100.00	20.32	35.61	46.45	67.40	86.98
2000	100.00	21.58	36.82	47.54	68.10	87.23
2001	100.00	18.22	33.34	44.47	66.07	86.33
2002	100.00	16.89	32.03	43.31	65.34	85.96
2003	100.00	17.46	32.53	43.76	65.73	86.15
2004	100.00	19.65	34.84	45.83	67.10	86.76
2005	100.00	21.79	37.18	47.97	68.54	87.38
2006	100.00	22.72	38.28	49.02	69.31	87.74
Total income tax share (percentage):						
1986	100.00	25.39	42.41	54.22	75.68	93.33
1987	100.00	24.37	42.96	55.31	76.70	93.85
1988	100.00	27.20	45.28	56.99	77.60	94.20
1989	100.00	24.85	43.59	55.53	77.03	94.10
1990	100.00	24.73	43.18	55.01	76.73	94.06
1991	100.00	24.08	42.96	55.06	77.02	94.42
1992	100.00	26.75	45.44	57.21	78.21	94.84
1993	100.00	28.32	46.93	58.54	79.04	95.10
1994	100.00	28.08	46.90	58.90	79.25	95.11
1995	100.00	29.56	48.28	60.25	80.07	95.32
1996	100.00	31.62	50.36	61.96	80.96	95.57
1997	100.00	32.69	51.43	62.87	81.39	95.62
1998	100.00	33.50	52.76	64.28	82.23	95.67
1999	100.00	35.04	54.67	65.88	83.18	95.89
2000	100.00	36.30	55.70	66.72	83.63	96.01
2001	100.00	32.88	52.50	64.25	82.46	95.92
2002	100.00	32.53	52.82	65.01	83.42	96.38
2003	100.00	33.18	53.52	65.21	83.45	96.40
2004	100.00	35.73	56.23	67.57	84.42	96.60
2005	100.00	38.42	58.82	69.68	85.61	96.83
2006	100.00	38.72	59.19	70.12	85.83	96.89

N/A—Not applicable.

[1] The number of returns with negative adjusted gross income, i.e., returns with an adjusted gross deficit, and the corresponding amounts for adjusted gross deficit, were excluded from Table 7. By excluding deficit returns, alternative minimum tax reported on some of these returns was also excluded. For Tax Year 2006, there were 6,301 returns with no adjusted gross income that reported income tax.

[2] For Table 7, constant dollars were calculated using the U.S. Bureau of Labor Statistics' consumer price index for urban consumers (CPI-U, 1982-84=100). For 2006, the CPI-U = 201.6.

[3] Total income tax is income tax after credits (includes alternative minimum tax) reported on returns that showed a positive amount for adjusted gross income. Therefore, total income tax excludes alternative minimum tax, Form 8814 tax (tax on a child's interest, dividends, or capital gains), and Form 4972 tax (tax on lump-sum distributions from qualified retirement plans) reported on some returns with a negative amount for adjusted gross income. See also footnote 1.

[4] The average tax rate was computed by dividing total income tax (see footnote 3) by (positive) adjusted gross income.

Individual Income Tax Rates and Shares, 2006

Statistics of Income Bulletin | Winter 2009

Table 8. Returns with Positive "1979 Income Concept" Income: Number of Returns, Shares of Income and Total Income Tax, and Average Tax Rates, by Selected Ascending Cumulative Percentiles of Returns Based on Income Size, Tax Years 1986-2006

[All figures are estimates based on samples]

Item, tax year	Total	Ascending cumulative percentiles				
		Bottom 50 percent	Bottom 75 percent	Bottom 90 percent	Bottom 95 percent	Bottom 99 percent
	(1)	(2)	(3)	(4)	(5)	(6)
Number of returns [1]:						
1986	101,988,805	50,994,402	76,491,604	91,789,924	96,889,365	100,968,917
1987	106,191,624	53,095,812	79,643,718	95,572,462	100,882,043	105,129,708
1988	108,879,154	54,439,577	81,659,366	97,991,239	103,435,196	107,790,362
1989	111,328,835	55,664,417	83,496,626	100,195,951	105,762,393	110,215,547
1990	112,717,959	56,358,980	84,538,469	101,446,163	107,082,061	111,590,779
1991	113,823,123	56,911,562	85,367,342	102,440,811	108,131,967	112,684,892
1992	112,687,747	56,343,874	84,515,810	101,418,972	107,053,360	111,560,870
1993	113,721,706	56,860,853	85,291,280	102,349,535	108,035,621	112,584,489
1994	115,061,112	57,530,556	86,295,834	103,555,001	109,308,056	113,910,501
1995	117,333,779	58,666,890	88,000,334	105,600,401	111,467,090	116,160,441
1996	119,487,813	59,743,907	89,615,860	107,539,032	113,513,422	118,292,935
1997	121,555,156	60,777,578	91,166,367	109,399,640	115,477,398	120,339,604
1998	123,852,016	61,926,008	92,889,012	111,466,814	117,659,415	122,613,496
1999	126,107,596	63,053,798	94,580,697	113,496,836	119,802,216	124,846,520
2000	128,340,271	64,170,135	96,255,203	115,506,243	121,923,257	127,056,868
2001	128,863,007	64,431,504	96,647,255	115,976,706	122,419,857	127,574,377
2002	128,415,184	64,207,592	96,311,388	115,573,666	121,994,425	127,131,032
2003	128,757,145	64,378,573	96,567,859	115,881,431	122,319,288	127,469,574
2004	130,508,966	65,254,483	97,881,725	117,458,069	123,983,518	129,203,876
2005	132,730,734	66,365,367	99,548,051	119,457,661	126,094,197	131,403,427
2006	135,854,749	67,927,375	101,891,062	122,269,274	129,062,012	134,496,202
Income (millions of current dollars):						
1986	2,804,691	436,071	1,072,460	1,707,142	2,007,756	2,377,178
1987	2,856,118	444,403	1,114,372	1,788,680	2,106,878	2,492,238
1988	3,153,639	470,115	1,180,578	1,898,531	2,242,469	2,668,964
1989	3,336,571	498,089	1,251,567	2,018,952	2,389,207	2,849,595
1990	3,497,118	523,271	1,315,027	2,120,956	2,509,535	2,992,431
1991	3,577,337	538,910	1,352,358	2,186,413	2,591,748	3,098,582
1992	3,763,002	556,512	1,393,300	2,253,273	2,672,983	3,206,581
1993	3,849,532	570,666	1,427,057	2,312,247	2,744,518	3,295,456
1994	4,033,642	597,475	1,489,242	2,416,392	2,871,670	3,454,078
1995	4,317,506	625,239	1,562,518	2,544,615	3,032,780	3,663,789
1996	4,670,644	655,183	1,645,537	2,685,713	3,207,665	3,897,777
1997	5,112,706	703,631	1,759,461	2,870,353	3,432,828	4,194,699
1998	5,626,390	756,923	1,884,384	3,083,991	3,701,176	4,553,611
1999	6,082,931	792,125	1,983,002	3,257,142	3,916,561	4,846,850
2000	6,601,494	842,686	2,105,584	3,463,195	4,170,537	5,177,058
2001	6,361,523	869,820	2,158,748	3,532,846	4,240,468	5,202,486
2002	6,262,714	879,451	2,170,646	3,550,488	4,257,056	5,204,939
2003	6,429,711	890,624	2,203,193	3,616,066	4,338,310	5,307,129
2004	7,044,141	932,354	2,317,516	3,815,911	4,590,311	5,660,163
2005	7,701,103	971,647	2,422,444	4,006,951	4,837,875	6,022,698
2006	8,365,645	1,025,509	2,567,304	4,264,467	5,163,200	6,465,334

Footnotes at end of table.

Individual Income Tax Rates and Shares, 2006

Statistics of Income Bulletin | Winter 2009

Table 8. Returns with Positive "1979 Income Concept" Income: Number of Returns, Shares of Income and Total Income Tax, and Average Tax Rates, by Selected Ascending Cumulative Percentiles of Returns Based on Income Size, Tax Years 1986-2006—Continued

[All figures are estimates based on samples]

Item, tax year	Total	Ascending cumulative percentiles				
		Bottom 50 percent	Bottom 75 percent	Bottom 90 percent	Bottom 95 percent	Bottom 99 percent
	(1)	(2)	(3)	(4)	(5)	(6)
Total income tax (millions of current dollars) [2]:						
1986	366,763	24,467	89,186	167,901	211,210	273,635
1987	368,924	22,696	85,954	164,874	210,439	279,016
1988	412,549	23,918	92,397	177,429	225,756	300,341
1989	432,643	25,537	99,358	192,414	244,055	325,135
1990	446,906	26,562	103,980	201,050	253,915	336,376
1991	448,177	24,997	103,009	201,432	255,629	340,251
1992	476,067	24,573	103,715	203,706	259,764	348,706
1993	502,638	24,641	105,377	208,400	266,730	360,309
1994	534,693	26,153	110,950	219,783	283,923	384,560
1995	588,292	27,544	117,257	233,864	304,256	414,415
1996	658,059	29,142	125,310	250,333	326,655	449,988
1997	731,123	31,992	136,063	271,450	355,078	492,146
1998	783,437	33,889	139,249	279,860	370,134	520,973
1999	877,199	36,027	147,520	299,294	397,669	569,817
2000	980,459	39,155	160,521	326,304	434,357	624,548
2001	887,770	36,230	155,676	317,341	421,713	595,863
2002	796,763	28,872	132,093	278,827	375,930	537,571
2003	747,800	26,939	123,731	260,143	347,598	499,694
2004	831,815	28,294	129,610	269,723	364,087	534,616
2005	934,524	29,668	134,499	283,305	384,857	575,464
2006	1,023,556	31,796	144,991	305,843	417,680	627,282
Average tax rate (percentage) [3]:						
1986	13.08	5.61	8.32	9.84	10.52	11.51
1987	12.92	5.11	7.71	9.22	9.99	11.20
1988	13.08	5.09	7.83	9.35	10.07	11.25
1989	12.97	5.13	7.94	9.53	10.21	11.41
1990	12.78	5.08	7.91	9.48	10.12	11.24
1991	12.53	4.64	7.62	9.21	9.86	10.98
1992	12.65	4.42	7.44	9.04	9.72	10.87
1993	13.06	4.32	7.38	9.01	9.72	10.93
1994	13.26	4.38	7.45	9.10	9.89	11.13
1995	13.63	4.41	7.50	9.19	10.03	11.31
1996	14.09	4.45	7.62	9.32	10.18	11.54
1997	14.30	4.55	7.73	9.46	10.34	11.73
1998	13.92	4.48	7.39	9.07	10.00	11.44
1999	14.42	4.55	7.44	9.19	10.15	11.76
2000	14.85	4.65	7.62	9.42	10.41	12.06
2001	13.96	4.17	7.21	8.98	9.95	11.45
2002	12.72	3.28	6.09	7.85	8.83	10.33
2003	11.63	3.02	5.62	7.19	8.01	9.42
2004	11.81	3.03	5.59	7.07	7.93	9.45
2005	12.13	3.05	5.55	7.07	7.96	9.55
2006	12.24	3.10	5.65	7.17	8.09	9.70

Footnotes at end of table.

Individual Income Tax Rates and Shares, 2006

Statistics of Income Bulletin | Winter 2009

Table 8. Returns with Positive "1979 Income Concept" Income: Number of Returns, Shares of Income and Total Income Tax, and Average Tax Rates, by Selected Ascending Cumulative Percentiles of Returns Based on Income Size, Tax Years 1986-2006—Continued

[All figures are estimates based on samples]

Item, tax year	Total	Ascending cumulative percentiles				
		Bottom 50 percent	Bottom 75 percent	Bottom 90 percent	Bottom 95 percent	Bottom 99 percent
	(1)	(2)	(3)	(4)	(5)	(6)
Income share (percentage):						
1986	100.00	15.55	38.24	60.87	71.59	84.76
1987	100.00	15.56	39.02	62.63	73.77	87.26
1988	100.00	14.91	37.44	60.20	71.11	84.63
1989	100.00	14.93	37.51	60.51	71.61	85.40
1990	100.00	14.96	37.60	60.65	71.76	85.57
1991	100.00	15.06	37.80	61.12	72.45	86.62
1992	100.00	14.79	37.03	59.88	71.03	85.21
1993	100.00	14.82	37.07	60.07	71.29	85.61
1994	100.00	14.81	36.92	59.91	71.19	85.63
1995	100.00	14.48	36.19	58.94	70.24	84.86
1996	100.00	14.03	35.23	57.50	68.68	83.45
1997	100.00	13.76	34.41	56.14	67.14	82.04
1998	100.00	13.45	33.49	54.81	65.78	80.93
1999	100.00	13.02	32.60	53.55	64.39	79.68
2000	100.00	12.77	31.90	52.46	63.18	78.42
2001	100.00	13.67	33.93	55.53	66.66	81.78
2002	100.00	14.04	34.66	56.69	67.97	83.11
2003	100.00	13.85	34.27	56.24	67.47	82.54
2004	100.00	13.24	32.90	54.17	65.16	80.35
2005	100.00	12.62	31.46	52.03	62.82	78.21
2006	100.00	12.26	30.69	50.98	61.72	77.28
Total income tax share (percentage):						
1986	100.00	6.67	24.32	45.78	57.59	74.61
1987	100.00	6.15	23.30	44.69	57.04	75.63
1988	100.00	5.80	22.40	43.01	54.72	72.80
1989	100.00	5.90	22.97	44.47	56.41	75.15
1990	100.00	5.94	23.27	44.99	56.82	75.27
1991	100.00	5.58	22.98	44.94	57.04	75.92
1992	100.00	5.16	21.79	42.79	54.56	73.25
1993	100.00	4.90	20.96	41.46	53.07	71.68
1994	100.00	4.89	20.75	41.10	53.10	71.92
1995	100.00	4.68	19.93	39.75	51.72	70.44
1996	100.00	4.43	19.04	38.04	49.64	68.38
1997	100.00	4.38	18.61	37.13	48.57	67.31
1998	100.00	4.33	17.77	35.72	47.24	66.50
1999	100.00	4.11	16.82	34.12	45.33	64.96
2000	100.00	3.99	16.37	33.28	44.30	63.70
2001	100.00	4.08	17.54	35.75	47.50	67.12
2002	100.00	3.62	16.58	34.99	47.18	67.47
2003	100.00	3.60	16.55	34.79	46.48	66.82
2004	100.00	3.40	15.58	32.43	43.77	64.27
2005	100.00	3.17	14.39	30.32	41.18	61.58
2006	100.00	3.11	14.17	29.88	40.81	61.28

[1] The number of returns with negative adjusted gross income, i.e., returns with an adjusted gross deficit, and the corresponding amounts for adjusted gross deficit, were excluded from Table 8. By excluding deficit returns, alternative minimum tax reported on some of these returns was also excluded. For Tax Year 2006, there were 6,301 returns with no adjusted gross income that reported income tax.

[2] Total income tax is income tax after credits (includes alternative minimum tax) reported on returns that showed a positive amount for adjusted gross income. Therefore, total income tax excludes alternative minimum tax, Form 8814 tax (tax on a child's interest, dividends or capital gains), and Form 4972 tax (tax on lump-sum distributions from qualified retirement plans) reported on some returns with a negative amount for adjusted gross income. See also footnote 1.

[3] The average tax rate was computed by dividing total income tax (see footnote 2) by (positive) adjusted gross income.

Split-Interest Trusts, Filing Year 2007

by Lisa Schreiber

Form 5227, *Split-Interest Trust Information Return*, is filed by entities with both charitable and noncharitable beneficiaries. In Filing Year 2007, preparers filed 123,659 Forms 5227, only slightly less than the number filed in 2006.¹ End-of-year net asset values reported for split-interest trusts increased to \$115.4 billion in 2007, as end-of-year book value of assets and end-of-year book value of liabilities increased by 8.6 percent and 12.4 percent, respectively, between 2006 and 2007.

A split-interest trust (SIT) can be created by a will or a trust instrument. The trust instrument specifies the term of the trust, designates the trustee(s) as well as the beneficiaries, and provides parameters for managing assets and distributing income. The instrument usually specifies the contents of the trust. The individual who owns, and then transfers, the assets that make up the trust corpus, is known as the grantor. The individuals and entities that receive income are known as beneficiaries.

A trustee is charged with holding, investing, and distributing the income and assets of the trust. A trustee may be an individual, a group of individuals, or an entity such as a bank or charity. Each trustee must ensure that all transactions, including distributions, conform to the requirements of the trust document and to any applicable laws. Additionally, trustees must coordinate the preparation, verification, and submission of all required State and Federal tax forms.

There are three distinct types of split-interest trusts: charitable remainder trusts, charitable lead trusts, and pooled income funds. In 2007, some 115,754 returns for charitable remainder trusts were submitted, a decrease of 0.3 percent (Figure A). Trustees for charitable lead trusts submitted 6,377 returns in 2007, an increase of 1.3 percent over 2006 filings. Pooled income fund returns experienced the

most dramatic change, as the number of returns filed declined by 8.8 percent, to 1,528 returns in 2007.

Charitable Remainder Trusts

Under a charitable remainder trust (CRT) agreement, an income stream is distributed annually to one or more noncharitable beneficiaries for a defined period. The period may be either a fixed duration, statutorily limited to 20 years, or the lifetime of a noncharitable beneficiary.² At the conclusion of the period, the trust is dissolved, and the remaining value is distributed to predetermined charitable beneficiaries.³ At the time of trust creation, the present value of the expected future charitable distribution must equal at least 10.0 percent of the initial fair market value of the assets placed in the trust.⁴

The donor must file Form 709, *U.S. Gift Tax Return*, for all assets contributed to the trust that exceed the gift tax threshold.⁵ At the time of trust creation, the donor is eligible for a gift tax deduction if the charitable beneficiary has been named. The donor also receives an income tax deduction based on an estimate of the charitable distribution. A noncharitable beneficiary must report the distributions as gross income on Form 1040, *U.S. Individual Income Tax Return*.

There are two types of charitable remainder trusts. Charitable remainder annuity trusts (CRATs) and charitable remainder unitrusts (CRUTs) differ in the calculation of the noncharitable distribution amount. Charitable remainder annuity trusts annually distribute a fixed percentage, between 5.0 percent and 50.0 percent, of the initial fair market value of the property in the trust. As a result, the amount of the distribution to noncharitable beneficiaries from a CRAT should be the same each year. Charitable remainder unitrusts distribute a fixed percentage of the fair market value of the trust property, valued annually. This percentage is called the “unitrust percentage” and must be between 5.0 percent and 50.0 percent. Therefore, the value of the distribution to noncharitable beneficiaries from a CRUT, called the

Lisa Schreiber is an economist with the Special Studies Special Projects Section. This article was prepared under the direction of Melissa Ludlum, Chief.

¹ A filing year includes all returns submitted to IRS processing between January 1 and December 31 of that year. Returns filed in 2007 were primarily for Tax Year 2006.

² For more information on the allowable duration of charitable remainder trusts, see Internal Revenue Code section 664(d)(1)(A) and 664(d)(2)(A).

³ The qualifications for a “charitable beneficiary” are detailed in Internal Revenue Code section 170(c).

⁴ The method for determining the fair market value of a trust is given in Internal Revenue Code section 7520.

⁵ For Tax Year 2006, any gift exceeding \$12,000 is taxable and is included in the donor’s lifetime exclusion. The gift tax threshold is indexed for inflation. In the case of a couple who are splitting gifts, the threshold is doubled. For further explanation of gift tax law, see Jacobson, Darien and Melissa Laine, “Wealth Transfers, 2005 Gifts,” *SOI Bulletin*, Summer 2008.

Figure A

Profile of Split-Interest Trusts, by Type of Trust, Filing Years 2006 and 2007

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Item	All			Charitable remainder trusts		
	2006	2007	Percentage change	2006	2007	Percentage change
	(1)	(2)	(3)	(4)	(5)	(6)
Number of returns	124,036	123,659	-0.3	116,062	115,754	-0.3
Net asset value, end-of-year [1]	106,277,977	115,391,956	8.6	88,805,076	95,821,559	7.9
Book value of assets, end-of-year [2]	108,248,391	117,605,947	8.6	90,163,123	97,307,466	7.9
Book value of liabilities, end-of-year [2]	1,970,413	2,213,991	12.4	1,358,047	1,485,907	9.4

Item	Charitable lead trusts			Pooled income funds		
	2006	2007	Percentage change	2006	2007	Percentage change
	(7)	(8)	(9)	(10)	(11)	(12)
Number of returns	6,298	6,377	1.3	1,676	1,528	-8.8
Net asset value, end-of-year [1]	15,989,128	18,093,904	13.2	1,483,773	1,476,493	-0.5
Book value of assets, end-of-year [2]	16,485,658	18,690,926	13.4	1,599,610	1,607,555	0.5
Book value of liabilities, end-of-year [2]	496,529	597,022	20.2	115,837	131,062	13.1

[1] Calculated as the end-of-year book value of assets (Form 5227, Part IV, line 37, column (b)) minus the end-of-year book value of liabilities (line 43, column (b)).

[2] Taken from Form 5227, Part IV, column (b).

NOTE: Detail may not add to totals due to rounding and taxpayer reporting discrepancies.

unitrust amount, may vary from year to year, depending on the value of the assets in the trust.

There are two common variants of charitable remainder unitrusts that allow for added flexibility of noncharitable distributions. One variant, a net income charitable remainder unitrust (NI-CRUT), permits the trustee to distribute only the amount of trust income earned in that year, when that amount is less than the distribution that would otherwise be required.⁶ This allows the trustee to limit distributions in years when the trust's income is low to avoid depletion of the trust corpus. A related variant is called the net income with makeup charitable remainder unitrust (NIM-CRUT).⁷ A NIM-CRUT works like a NI-CRUT, in that the trustee is allowed to distribute the lesser of the trust income or the required percentage of fair market value. However, the reductions in required distributions accumulate. The trustee must make up for previous distribution deficiencies when trust income permits.

Charitable remainder unitrusts may accept property transfers throughout the life of the trust. These are called "additional contributions." These contributions may be in the form of any asset, including cash and stock. All additional contributions must be detailed on an attachment to Form 5227 filed for the year in which the contribution was received. The presence of additional contributions complicates the calculation of the unitrust amount. Preparers must prorate the value of the contributions based on the date they were donated to the trust.⁸ The unitrust amount is then calculated by multiplying the unitrust percentage by the sum of balance sheet net fair market value of assets and the prorated value of the additional contributions.

Charitable Lead Trusts

Under a charitable lead trust (CLT) agreement, a charitable organization receives the income interest of the trust assets, while the remainder interest is

6 For more information regarding net income charitable remainder unitrusts, see Internal Revenue Code section 664(d)(3)(A).

7 For more information regarding net income with makeup charitable remainder unitrusts, see Internal Revenue Code section 664(d)(3)(B).

8 Prorating requires the preparer to calculate the number of days remaining in the year when the additional contribution is made. This number is then divided by the total number of days in the calendar year. The resulting percentage is then multiplied by the value of the additional contribution to determine the prorated value of the additional contributions.

Split-Interest Trusts, Filing Year 2007

Statistics of Income Bulletin | Winter 2009

assigned to a noncharitable beneficiary, usually the grantor or the grantor's spouse. Annual distributions are made to a predetermined charitable beneficiary. The amount of CLT distributions is not constrained by minimum or maximum payout restrictions. At the conclusion of the trust's predetermined life, the remaining income and assets are distributed to the designated noncharitable beneficiary.⁹

Charitable lead trusts are classified as annuity trusts or unitrusts depending on the calculation of the distribution amount. Charitable lead annuity trusts (CLATs) distribute a fixed dollar amount of the initial fair market value of the trust property. Charitable lead unitrusts (CLUTs) distribute a fixed percentage of the net fair market value of the trust property, determined annually. CLATs tend to be favored over CLUTs. CLATs do not require that the trust property be revalued annually, therefore reducing the trustee's costs. CLATs also allow the noncharitable remainder beneficiaries to benefit from the appreciation of trust assets.

CLTs are further classified by the role of the donor. If the donor of the trust assets is the noncharitable beneficiary, the trust is classified as a grantor charitable lead trust. In this case, the grantor will receive an income tax deduction for the tax year in which the trust is established up to the amount of the present value of the future charitable distributions as well as a gift tax deduction.¹⁰ Because a grantor CLT is not considered a separate taxable entity, the grantor must pay tax on income earned by the trust. Grantor CLTs are generally used to convert future charitable contributions into a current tax deduction. A trust is classified as a nongrantor charitable lead trust if the donor of the trust property is not a beneficiary. In the case of nongrantor charitable lead trusts, the grantor receives only a gift tax charitable deduction at the time of the trust creation equal to the present value of the future charitable distributions. The nongrantor CLT is considered a fully taxable separate entity for income tax purposes. As a result, the grantor is not liable for tax owed on trust income.

Pooled Income Funds

Under a pooled income fund (PIF) arrangement, donors to a charitable organization contribute assets to a pool of donated assets and in return receive income payments for the remainder of the grantors' lifetimes.¹¹ The transfer of assets to the fund must be irrevocable, meaning it cannot be altered or cancelled without consent of the beneficiary. Generally, donors contribute to existing pooled income funds, thus incurring far lower administrative costs to the grantor than a charitable remainder trust. At the time of donation, the grantor receives income and gift tax deductions equal to the estimated value of the eventual charitable contribution. The donee charity, commonly a large educational institution, is responsible for the maintenance of the fund, including investing assets and making distributions to beneficiaries. PIFs are prohibited from investing in tax-exempt securities. Each year, grantors receive a distribution from the fund based on the ratio of their contributions to the value of the investment pool and the return on the fund assets for that year. These distributions are reported as gross income on the grantor's Form 1040, *Individual Income Tax Return*. At the time of the donor's death, the charity receives the grantor's pro-rated share of the value of the PIF.

Analysis Overview

Form 5227, *Split-Interest Trust Information Return*, must be submitted for each calendar year a split-interest trust is in existence.¹² Form 5227 must be filed with the IRS by April 15 of the year following the applicable calendar year. Form 5227 is used to disclose the financial activities of the trust, not to calculate tax liability. If a charitable remainder trust incurred any taxable income during the calendar year, Form 1041, *U.S. Income Tax Return for Estates and Trusts*, must be completed.¹³

Charitable remainder trusts remained the most common type of split-interest trust (Figure A). Pooled income funds again made up the smallest percentage, 1.2 percent, of the SIT population. The

⁹ In order to qualify, the individual or individuals must be the donor, the donor's spouse, a linear ancestor of a noncharitable beneficiary, or the spouse of a linear ancestor of a noncharitable beneficiary. For more information, see Treasury Regulations 1.1170A-6(c)(2)(i).

¹⁰ This charitable deduction is limited. In general, individuals may not receive an income tax deduction for a charitable contribution in excess of 50.0 percent of the taxpayer's contribution base, usually equal to the adjusted gross income. This and other related limitations on charitable deductions are further described in Internal Revenue Code section 170(b).

¹¹ Pooled income funds are further discussed under Internal Revenue Code section 642(c)(5).

¹² Split-interest trusts created before May 27, 1969, are exempt from having to file Form 5227, as long as no amounts have been transferred to the trust since May 27, 1969.

¹³ Beginning in Tax Year 2007, charitable remainder trusts with unrelated business income are required to file Form 4720, *Return of Certain Excise Taxes Under Chapters 41 and 42 of the Internal Revenue Code*. Filing Year 2008 data will be the first filing year to be affected by this change.

Split-Interest Trusts, Filing Year 2007

Statistics of Income Bulletin | Winter 2009

majority of returns filed in 2007 were for ongoing trusts, in neither the first nor last year of existence. However, just as in 2006, approximately 3.4 percent of the population comprised initial returns, which are filed for newly created trusts (Figure B).¹⁴ Final returns were slightly more common; in 2007, preparers for terminating trusts filed 4,202 returns, or 3.4 percent of the total population. The average lifetime of a terminating trust in Filing Year 2007 was approxi-

mately 12 years.¹⁵ Terminating pooled income funds had the longest average lifetime of all the SIT types, slightly more than 15 years. This extended lifetime could be explained by the institutional structure of PIFs, in which a single charity oversees the assets of multiple donors.

A paid preparer completed 75.5 percent of returns filed in 2007 (Figure C), nearly the same percentage as in 2006. However, in some instances,

Figure B

Return Filing Status, Filing Year 2007

[All figures are estimates based on samples]

Return filing status	All	Charitable remainder annuity trusts	Charitable remainder unitrusts	Charitable lead trusts	Pooled income funds
	(1)	(2)	(3)	(4)	(5)
All returns	123,659	20,187	95,567	6,377	1,528
Initial [1]	4,165	634	3,289	242	0
Final [2]	4,202	1,257	2,575	310	* 60

* Estimate should be used with caution because of the small number of sample returns on which it is based.

[1] An initial return status is denoted by selecting the "Initial return" box on line E of Form 5227.

[2] A final return status is denoted by selecting the "Final return" box on line E of Form 5227.

Figure C

Utilization of Paid Preparers and Distribution of Trustee Type, by Type of Trust, Filing Years 2006 and 2007

[All figures are estimates based on samples]

Preparer status/type of trustee	All		Charitable remainder annuity trusts		Charitable remainder unitrusts	
	2006	2007	2006	2007	2006	2007
	(1)	(2)	(3)	(4)	(5)	(6)
All returns	124,036	123,659	21,296	20,187	94,767	95,567
Paid preparer [1]	93,717	93,338	13,262	12,583	74,492	74,627
Unpaid preparer	30,318	30,321	8,033	7,604	20,274	20,940
Noninstitutional trustee	3,306	3,480	432	523	2,604	2,752
Institutional trustee	27,012	26,840	7,601	7,080	17,670	18,188

Preparer status/type of trustee	Charitable lead trusts		Pooled income funds	
	2006	2007	2006	2007
	(7)	(8)	(9)	(10)
All returns	6,298	6,377	1,676	1,528
Paid preparer [1]	5,217	5,319	746	809
Unpaid preparer	1,081	1,058	930	719
Noninstitutional trustee	187	155	83	50
Institutional trustee	894	903	847	669

[1] The presence of a paid preparer is indicated on Form 5227 by the completion of the paid preparer section found on page 4 of the return.

NOTE: Detail may not add to totals due to rounding.

¹⁴ An initial return denotes the first return filed for a trust during its lifetime. Generally, these returns cover the tax year in which the trust was created.

¹⁵ The trust lifetime was estimated by subtracting the year of the reported creation date from the tax year of the final return.

Split-Interest Trusts, Filing Year 2007

Statistics of Income Bulletin | Winter 2009

the trustee type may indicate the presence of a professional preparer even when the return does not indicate a paid preparer. Of those returns that did not indicate a paid preparer, 88.5 percent reported institutions, such as banks or charities, as the trustee. When entities such as these act as trustee, it is likely that the return was professionally prepared even if a paid preparer did not sign the return. For example, while paid preparers completed only 52.9 percent of the returns filed for pooled income funds, institutional trustees were reported for 93.0 percent of the PIF returns that did not indicate a paid preparer. CLTs were the type of trust most likely to be completed by a paid preparer. In 2007, only 16.6 percent of forms filed for CLTs did not utilize a paid preparer.

Form 5227 is divided into several parts, many of which are completed for only one type of split-interest trust. All trusts report some distribution information as well as the total fair market value of assets owned by the trust at the end of the tax year. The distribution information varies in detail based on the type of trust. While forms filed for CRTs require detailed information regarding both required and actual distributions, forms for CLTs and PIFs must include only general information about required distributions. The balance sheet portion of *Split-Interest Trust Information Return* is a detailed listing of the assets and liabilities of the trust, and is completed, at least in part, by all SITs. There are three separate valuations for each asset and liability category: beginning-of-year book value; end-of-year book value; and fair market value. The beginning- and end-of-year book values are reported for all types of trusts. For all SITs, the end-of-year book value of trust assets increased from \$108.2 billion in 2006 to \$117.6 billion in Filing Year 2007. The fair market valuation is only required for charitable remainder unitrusts. Tax law requires the fair market value to be assessed on the same date and using the same method each year that a Form 5227 is filed for a CRUT. For valuation purposes, assets are apportioned into several categories, including cash, receivables, and investments. Investments are further separated into five categories: U.S. and State government obligations; corporate stock; corporate bonds; land, buildings, and equipment; and other. Liabilities are also sepa-

rated into five categories, including accounts payable and deferred revenue.

This article focuses on split-interest trust reporting for Filing Year 2007, reporting, primarily, information and activities that occurred during Calendar Year 2006. Throughout this article, trusts are described in terms of size as being small, medium, or large, based on the trust's reported end-of-year total book value of assets. Small trusts are defined as those that reported total assets of \$500,000 or less, including those trusts that either did not report end-of-year book value of total assets, or that reported the amount as zero.¹⁶ Medium trusts are defined as those with between \$500,000 and \$3.0 million in total assets. Large trusts are defined as those that reported total assets of \$3.0 million or more.

Analysis by Type of Trust

Charitable Remainder Trusts

The income and deductions portion of Form 5227 is completed only for charitable remainder trusts, for which 115,754 returns were filed in 2007 (Figure D). Reported ordinary income is divided into seven classifications that include interest income, ordinary dividends, and business income or loss. Total ordinary income of \$4.5 billion was reported for CRTs in 2007, of which \$4.2 billion, or 92.6 percent, was reported for CRUTs. Deductions allocable to ordinary income are divided into three classifications: interest, taxes, and other, and totaled \$1.1 billion in 2007.¹⁷ The total ordinary income less deductions allocable to ordinary income is referred to in this article as "net ordinary income." In 2007, this amount was \$3.4 billion, an increase of 38.9 percent over Filing Year 2006.

Capital gains and losses are reported separately from net ordinary income. The total short-term capital gain or loss amount, as well as the total long-term capital gain or loss amount, is taken from Form 1041 Schedule D, *Capital Gains and Losses*, for the corresponding tax year. Deductions reduce the short- and long-term amounts, resulting in a "net short-term capital gain (loss)" and a "net long-term capital gain (loss)." Charitable remainder trust returns reported total net capital gains of \$8.7 billion in 2007 (Figure D). This is an increase of 16.9 percent from \$7.4 bil-

¹⁶ Trusts that do not report end-of-year total assets, or that report the amount as zero, are often final-year filers. In those instances, the trusts usually report asset amounts for the beginning of the year, but, as they have terminated, there are no trust assets to report for the end of the year.

¹⁷ Charitable remainder trusts are not allowed deductions for personal exemptions, charitable contributions, net operating losses, income distributions, capital loss carryforwards, Federal income taxes, or Federal excise taxes.

Split-Interest Trusts, Filing Year 2007

Statistics of Income Bulletin | Winter 2009

Figure D

Overview of Charitable Remainder Trusts, Filing Years 2006 and 2007

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Item	All charitable remainder trusts			Charitable remainder annuity trusts			Charitable remainder unitrusts		
	2006	2007	Percentage change	2006	2007	Percentage change	2006	2007	Percentage change
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Number of returns	116,062	115,754	-0.3	21,296	20,187	-5.2	94,767	95,567	0.8
Total net income [1]	9,991,947	12,202,714	22.1	853,971	897,233	5.1	9,137,976	11,305,480	23.7
Net ordinary income [2]	2,425,472	3,369,978	38.9	235,279	278,178	18.2	2,190,193	3,091,800	41.2
Total ordinary income	2,973,122	4,513,954	51.8	289,283	333,170	15.2	2,683,840	4,180,784	55.8
Total ordinary deductions	547,649	1,143,976	108.9	54,003	54,991	1.8	493,645	1,088,985	120.6
Total net capital gains (losses) [3]	7,439,099	8,697,265	16.9	579,224	583,360	0.7	6,859,875	8,113,905	18.3
Net short-term capital gains (losses)	287,726	292,253	1.6	18,504	16,862	-8.9	269,222	275,391	2.3
Net long-term capital gains (losses)	7,151,373	8,405,012	17.5	560,720	566,498	1.0	6,590,653	7,838,514	18.9
Nontaxable income [4]	127,376	135,470	6.4	39,468	35,695	-9.6	87,908	99,775	13.5
Total accumulations for tax year [5]	66,278,298	73,120,564	10.3	5,407,534	5,543,820	2.5	60,870,765	67,576,745	11.0
Prior year undistributed	56,286,350	60,914,270	8.2	4,553,562	4,646,586	2.0	51,732,788	56,267,684	8.8
Current year accumulations	9,991,947	12,202,714	22.1	853,971	897,233	5.1	9,137,976	11,305,480	23.7
Undistributed at end of tax year [6]	59,734,950	65,358,365	9.4	4,481,374	4,696,376	4.8	55,253,576	60,661,988	9.8
Total distributions [7][8]	7,210,404	8,421,393	16.8	1,232,106	1,014,336	-17.7	5,978,298	7,407,058	23.9
Total book value of assets at end of year	90,163,123	97,307,466	7.9	9,041,175	9,280,129	2.6	81,121,949	88,027,337	8.5
Cash, savings, and temporary cash investments	6,746,676	7,390,860	9.5	763,038	881,078	15.5	5,983,637	6,509,782	8.8
Receivables due [9]	1,281,565	1,439,057	12.3	155,005	163,869	5.7	1,126,560	1,275,188	13.2
Inventories and prepaid expenses	10,273	9,388	-8.6	2,457	810	-67.0	7,816	8,578	9.7
Investments	79,535,080	86,390,796	8.6	7,834,583	8,035,104	2.6	71,700,498	78,355,692	9.3
Other assets [10]	2,589,506	2,077,341	-19.8	286,088	199,264	-30.3	2,303,418	1,878,078	-18.5
Total book value of liabilities at end of year	1,358,047	1,485,907	9.4	166,179	199,877	20.3	1,191,868	1,286,030	7.9
Net book value assets at end of year [11]	88,805,077	95,821,558	7.9	8,874,996	9,080,252	2.3	79,930,081	86,741,306	8.5

[1] Calculated as the sum of "ordinary income less deductions" (Form 5227, Part I, line 13), "net short-term capital gains (losses)" (line 16), "net long-term capital gains (losses)" (line 19), and "current tax year nontaxable income" (Part II, line 21(d)).

[2] Taken from "ordinary income less deductions" (Form 5227, Part I, line 13).

[3] Calculated as the sum of "net short-term capital gains (losses)" (Form 5227, Part I, line 16) and "net long-term capital gains (losses)" (line 19).

[4] Taken from "current tax year nontaxable income" (Form 5227, Part II, line 21(d)).

[5] Taken from Form 5227, Part II, line 22.

[6] Taken from Form 5227, Part II, line 23.

[7] Calculated as the sum of all distributions reported on Part III of Form 5227.

[8] May include distributions made after December 31 of the tax year and therefore may not be reflected on the accumulation schedule.

[9] Calculated as the sum of "accounts receivable" (Form 5227, Part IV, line 27, column (b)), "receivables due from officers, directors, and other disqualified persons" (line 28, column (b)), and "other notes and loans receivable" (line 29, column (b)).

[10] Calculated as the sum of charitable purpose land, buildings, and equipment (Form 5227, Part IV, line 35, column (b)) and other assets (line 36, column (b)).

[11] Taken from Form 5227, Part IV, line 46, column (b). This is the excess of total assets over total liabilities. This value may deviate from the calculated value of total assets (line 37, column (b)) less total liabilities (line 43, column (b)) due to taxpayer reporting error.

NOTE: Detail may not add to totals due to rounding and taxpayer reporting discrepancies.

lion in 2006. Net long-term capital gains made up approximately 96.6 percent, or \$8.4 billion, of total net capital gains reported for CRTs in 2007. This is an increase of nearly \$1.3 billion over the net-long-term capital gains reported for CRTs in 2006.

In this article, total net income is defined as the sum of net ordinary income, net capital gains, and nontaxable income. Nontaxable income, likely from Federal, State and local government bonds, is also reported separately from ordinary income. Charitable

remainder trusts reported \$135.5 million in nontaxable income in 2007, an increase of 6.4 percent from the \$127.4 million reported in 2006 (Figure D). Total net income reported for charitable remainder trusts increased by 22.1 percent, from \$10.0 billion in 2006 to \$12.2 billion in 2007, despite the relatively small change in the number of returns filed. This increase is attributable to the sizable increase in both net ordinary income and total net capital gains reported for CRTs.

Split-Interest Trusts, Filing Year 2007

Statistics of Income Bulletin | Winter 2009

The accumulation schedule shows the flow of income through the trust from January 1 to December 31 of the tax year.¹⁸ This section is also only completed for charitable remainder trusts. Income is reported in two categories: undistributed income from prior years and current-year income. Income in these two categories is further disaggregated by source: ordinary; net short-term capital gains and losses; net long-term capital gains and losses; and nontaxable. Returns filed for CRTs in 2007 reported total accumulations, including ordinary income, short-term and long-term capital gains, and nontaxable income, of \$73.1 billion (Figure D). Approximately \$60.9 billion of the accumulations were undistributed from prior tax years. The accumulation schedule also shows undistributed income at the end of the current tax year, which is the amount of income held by the trust on the last day of the calendar year, once all payouts and distributions have been recorded. In Filing Year 2007, some \$65.4 billion were reported for end-of-year undistributed income. This amount exceeded the beginning-of-year income accumulation by \$4.4 billion, or 7.3 percent, meaning that, in aggregate, trustees of CRTs distributed less income

than the trust earned. As a result, the trust accumulates income from year to year, increasing the asset value. In Filing Year 2007, end-of-year income accumulations exceeded the beginning-of-year amounts by 6.1 percent. As shown in Figure D, returns filed for charitable remainder trusts reported \$8.4 billion in distributions and end-of-year book value of assets of \$97.3 billion in Filing Year 2007.

Charitable Remainder Annuity Trusts

During Filing Year 2007, some 20,187 Forms 5227 were filed for charitable remainder annuity trusts. This is a 5.2-percent decrease from Filing Year 2006, when 21,296 returns were filed. As in 2006, the majority of CRATs included in Filing Year 2007 were small trusts, with end-of-year book value of total assets less than \$500,000 (Figure E). Approximately \$897.2 million in total net income was reported for CRATs in 2007, which is a 5.1-percent increase from 2006. While net ordinary income increased substantially, by 18.2 percent, between the 2 years, short-term capital gains and nontaxable income fell by 8.9 percent and 9.6 percent, respectively. The reported value of net long-term capital gains increased slightly

Figure E

Charitable Remainder Annuity Trusts: Income and Deductions, by Size of End-of-Year Book Value of Total Assets, Filing Year 2007

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Item	Total	Size of end-of-year book value of total assets		
		Under \$500,000 [1]	\$500,000 under \$3 million	\$3 million or more
	(1)	(2)	(3)	(4)
Number of returns	20,187	16,156	3,604	427
Total net income [2]	897,233	178,227	365,341	353,665
Net ordinary income [3]	278,178	61,864	100,832	115,481
Total ordinary income	333,170	76,707	122,909	133,553
Deductions allocable to ordinary income	54,991	14,843	22,076	18,072
Net short-term capital gain or (loss) [4]	16,862	4,182	9,685	2,995
Net long-term capital gain or (loss) [5]	566,498	106,046	239,544	220,908
Nontaxable income [6]	35,695	6,134	15,280	14,280

[1] Includes returns that did not report end-of-year book value of total assets (Form 5227, Part IV, line 37, column (b)) from the balance sheet, or that reported the amount as zero. Often, these zero amounts are explained by trusts filing a final return.

[2] Calculated as the sum of "ordinary income less deductions" (Form 5227, Part I, line 13), "net short-term capital gains (losses)" (line 16), "net long-term capital gains (losses)" (line 19), and "current tax year nontaxable income" (Part II, line 21 (d)).

[3] Taken from "ordinary income less deductions" (Form 5227, Part I, line 13). This amount may not equal "total ordinary income" (line 8) less "total deductions allocable to ordinary income" (line 12) due to taxpayer reporting discrepancies.

[4] Taken from Form 5227, Part I, line 16.

[5] Taken from Form 5227, Part I, line 19.

[6] Taken from Form 5227, Part II, line 21(d).

NOTE: Detail may not add to totals due to rounding.

¹⁸ Any distributions made after December 31 of a tax year, for that tax year, will be included as undistributed at the end of the tax year on the accumulation schedule.

Split-Interest Trusts, Filing Year 2007

Statistics of Income Bulletin | Winter 2009

from \$560.7 million in 2006 to \$566.5 million in 2007, and continued to compose the majority of net income reported for CRATs.

Reported total accumulations for charitable remainder annuity trusts increased to \$5.5 billion in Filing Year 2007 (Figure F). This included \$897.2 million in current-year income, an increase of 5.1 percent over Filing Year 2006. The percentage of current-year income comprised of net long-term capital gains declined from 65.7 percent in 2006 to 63.1 percent in 2007. Net long-term capital gains re-

ported to be \$4.7 billion in 2007 increased slightly as a percentage of undistributed income. Undistributed income at the end of the year exceeded the beginning-of-year amount by only \$49.8 million, or 1.1 percent, a relatively small percentage of income accumulations for CRTs as a whole.

Figure G shows distributions made by charitable remainder annuity trusts in Filing Year 2007. In total, \$1.0 billion were distributed. The allocation of distributions between sizes of CRATs in 2007 is relatively consistent, especially when compared to previ-

Figure F

Charitable Remainder Annuity Trusts: Accumulation Information, by Type of Income, Filing Year 2007

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Item	Total	Type of income			
		Net ordinary income	Capital gains (losses)		Nontaxable income
			Net short-term	Net long-term	
	(1)	(2)	(3)	(4)	(5)
Total accumulations [1]	5,543,820	534,944	49,493	4,779,049	180,334
Prior-year undistributed [2]	4,646,586	256,766	22,875	4,222,307	144,639
Current-year accumulations [3]	897,233	278,178	16,862	566,498	35,695
Undistributed at end of tax year [4]	4,696,376	212,919	32,132	4,301,635	149,691

[1] Taken from Form 5227, Part II, line 22.

[2] Taken from Form 5227, Part II, line 20.

[3] Taken from Form 5227, Part II, line 21.

[4] Taken from Form 5227, Part II, line 23.

NOTES: Detail may not add to totals due to rounding. Additionally, the total accumulations for capital gains (losses) may be skewed due to netting short- and long-term values together.

Figure G

Charitable Remainder Annuity Trusts: Distributions, by Size of End-of-Year Book Value of Total Assets, Filing Year 2007

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Item	All	Size of end-of-year book value of total assets		
		Under \$500,000 [1]	\$500,000 under \$3 million	\$3 million or more
	(1)	(2)	(3)	(4)
Number of returns	20,187	16,156	3,604	427
Total distributions [2]	1,014,336	378,648	305,923	329,764
Ordinary income [3]	325,117	129,831	93,123	102,164
Short-term capital gains [4]	19,781	3,454	6,995	9,332
Long-term capital gains [5]	442,691	147,378	149,407	145,906
Nontaxable income [6]	31,997	10,087	12,061	9,850
Corpus [7]	194,749	87,898	44,337	62,513

[1] Includes returns that did not report end-of-year book value of total assets (Form 5227, Part IV, line 37, column (b)) from the balance sheet, or that reported the amount as zero. Often, these zero amounts are explained by trusts filing a final return.

[2] May include distributions made after December 31 of the tax year and therefore may not be reflected on the accumulation schedule.

[3] Reported on Form 5227, Part III, column (a).

[4] Reported on Form 5227, Part III, column (b).

[5] Reported on Form 5227, Part III, column (c).

[6] Reported on Form 5227, Part III, column (d).

[7] Reported on Form 5227, Part III, column (e).

NOTE: Detail may not add to totals due to rounding.

Split-Interest Trusts, Filing Year 2007

Statistics of Income Bulletin | Winter 2009

ous years. Small CRATs accounted for 37.3 percent of distributions, despite making up 80.0 percent of all returns filed for CRATs. Medium CRATs made up 17.9 percent of the population but accounted for 30.2 percent of distributions. Finally, while large CRATs made up only 2.1 percent of the CRAT population, preparers for these trusts reported 32.5 percent of total distributions. Long-term capital gains continued to represent the largest portion of distributions for CRATs of all sizes; however, the percentage of total distributions made up of long-term capital gains decreased from 45.9 percent in 2006 to 43.6 percent in 2007. Corpus distributions also contributed less to total distributions in Filing Year 2007 than in 2006. Ordinary income, however, increased as a percentage of total distributions from 22.1 percent in 2006 to 32.1 percent in 2007. Short-term capital gains were the smallest component of distributions for all CRAT sizes.

Overall, distributions from CRATs decreased by 17.7 percent between Filing Years 2006 and 2007. One source of year-to-year variation in aggregate estimates is changes in the CRAT population due to the creation or termination of trusts. In the first year of a trust's life, trustees are permitted to distribute

only a percentage of the required noncharitable distribution, based on the date the trust was created.¹⁹ Additionally, trustees of terminating trusts must distribute all remaining trust income and corpus to beneficiaries, resulting in extremely large distributions. Figure H presents the 2006 and 2007 Filing Year data for CRATs that did not begin or terminate during the year. Large changes between 2006 and 2007 observed in the population of all returns are muted when looking only at ongoing trusts. In contrast with the population, distributions for ongoing trusts increased by 3.8 percent between 2006 and 2007. The decrease in corpus distributions was 41.1 percent for the population, but only 4.9 percent when initial and final trusts were removed.

Figure I shows the allocation of distributions among basic beneficiary types. Trust grantors received the largest percentage of total distributions, 59.5 percent, or \$604.0 million. Charitable beneficiaries received 16.4 percent of all reported distributions. Nongrantor individuals received 18.5 percent of all distributions in 2007, an increase from 2006 when they received 12.1 percent of all distributions. In contrast, noncharitable entities, which include noncharitable trusts as well as partnerships and cor-

Figure H

Charitable Remainder Annuity Trusts: Distributions, Filing Years 2006 and 2007

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Distribution type	All returns			Ongoing returns [1]		
	2006	2007	Percentage change	2006	2007	Percentage change
	(1)	(2)	(3)	(4)	(5)	(6)
Total distributions [2]	1,232,106	1,014,336	-17.7	747,930	776,279	3.8
Ordinary income [3]	272,509	325,117	19.3	208,577	231,792	11.1
Short-term capital gains [4]	29,389	19,781	-32.7	20,469	19,252	-5.9
Long-term capital gains [5]	565,694	442,691	-21.7	356,736	373,707	4.8
Nontaxable income [6]	34,056	31,997	-6.0	32,073	27,856	-13.1
Corpus [7]	330,457	194,749	-41.1	130,074	123,673	-4.9

[1] This category includes only returns that did not make initial or final distributions during the filing year.

[2] May include distributions made after December 31 of the tax year and therefore may not be reflected on the accumulation schedule.

[3] Reported on Form 5227, Part III, column (a).

[4] Reported on Form 5227, Part III, column (b).

[5] Reported on Form 5227, Part III, column (c).

[6] Reported on Form 5227, Part III, column (d).

[7] Reported on Form 5227, Part III, column (e).

NOTE: Detail may not add to totals due to rounding.

¹⁹ This percentage is calculated by dividing the number of days remaining in the year when the trust was created, by the total number of days in the calendar year. The resulting percentage is multiplied by the value of required distributions. This computation is commonly referred to as the "short-year adjustment."

Split-Interest Trusts, Filing Year 2007

Statistics of Income Bulletin | Winter 2009

Figure I

Charitable Remainder Annuity Trusts: Distributions, by Beneficiary and Income Type, Filing Year 2007

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Beneficiary type	Total distributions [1]	Ordinary income [2]	Short-term capital gains [3]	Long-term capital gains [4]	Nontaxable income [5]	Corpus [6]
	(1)	(2)	(3)	(4)	(5)	(6)
All beneficiary types	1,014,336	325,117	19,781	442,691	31,997	194,749
Grantor	603,971	177,587	15,027	283,459	19,431	108,468
Other individual	187,604	59,463	3,962	83,341	11,205	29,632
Charity	166,676	76,893	419	38,827	636	49,902
Noncharitable entity	56,084	11,174	* 373	37,064	* 726	6,747

* Estimate should be used with caution because of the small number of sample returns on which it is based.

[1] May include distributions made after December 31 of the tax year and therefore may not be reflected on the accumulation schedule.

[2] Reported on Form 5227, Part III, column (a).

[3] Reported on Form 5227, Part III, column (b).

[4] Reported on Form 5227, Part III, column (c).

[5] Reported on Form 5227, Part III, column (d).

[6] Reported on Form 5227, Part III, column (e).

NOTE: Detail may not add to totals due to rounding.

porations, received only 5.5 percent of distributions, compared to 13.7 percent in 2006. Long-term capital gains made up the largest percentage of distributions to all beneficiary types, with the exception of charities, which received more ordinary income than any other type.

Assets with an end-of-year book value of approximately \$9.3 billion were reported for charitable remainder annuity trusts in Filing Year 2007 (Figure J), which is only 2.6 percent higher than Filing Year 2006. The value of inventories and prepaid expenses fell by 67.0 percent, from \$2.5 million in 2006, to ap-

Figure J

Charitable Remainder Annuity Trusts: Investment Allocations, by Size of End-of-Year Book Value of Total Assets, Filing Year 2007

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Item	Total		Size of end-of-year book value of total assets					
			Under \$500,000 [1]		\$500,000 under \$3 million		\$3 million or more	
	Amount	Percentage of total investments	Amount	Percentage of total investments	Amount	Percentage of total investments	Amount	Percentage of total investments
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Total book value of assets at end of year	9,280,129	N/A	1,788,803	N/A	3,832,433	N/A	3,658,892	N/A
Total investments	8,035,104	100.0	1,541,925	100.0	3,277,501	100.0	3,215,678	100.0
U.S. and State government obligations [2]	1,192,677	14.8	163,094	10.6	493,494	15.1	536,088	16.7
Corporate stock [3]	4,142,474	51.6	841,597	54.6	1,716,976	52.4	1,583,901	49.3
Corporate bonds [4]	1,159,100	14.4	242,521	15.7	481,227	14.7	435,352	13.5
Other investments [5]	1,540,853	19.2	294,713	19.1	585,804	17.9	660,337	20.5
Total book value of liabilities at end of year	199,877	N/A	38,737	N/A	135,615	N/A	25,525	N/A

N/A—Not applicable.

[1] Includes returns that did not report end-of-year book value of total assets (Form 5227, Part IV, line 37, column (b)) from the balance sheet, or that reported the amount as zero. Often, these zero amounts are explained by trusts filing a final return.

[2] Taken from Form 5227, Part IV, line 32a, column (b).

[3] Taken from Form 5227, Part IV, line 32b, column (b).

[4] Taken from Form 5227, Part IV, line 32c, column (b).

[5] Calculated as the sum of land, buildings, and equipment (Form 5227, Part IV, line 33, column (b)) and other investments (line 34, column (b)).

NOTE: Detail may not add to totals due to rounding and taxpayer reporting discrepancies.

Split-Interest Trusts, Filing Year 2007

Statistics of Income Bulletin | Winter 2009

proximately \$810,000 in 2007. Other assets, including charitable purpose land, buildings, and equipment, all declined significantly between the 2 years. The allocation of assets in the investment portfolios of trusts filing in 2007 mirrors that of previous years. Investments comprised the largest portion of assets, more than \$8.0 billion, or 86.6 percent of the total. Corporate stock made up 51.6 percent of the total investments reported, and comprised the largest portion of the investment portfolio for all sizes of CRATs. Figure J also shows that \$199.9 million in liabilities were reported for CRATs in Filing Year 2007, an increase of 20.3 percent from 2006.

Charitable Remainder Unitrusts

The number of Forms 5227 filed for charitable remainder unitrusts in 2007 was 95,567, virtually unchanged from 2006. As in previous years, the majority of returns filed in 2007 were for small CRUTs, those with less than \$500,000 in end-of-year book value of assets. In Filing Year 2007, about \$11.3 billion in total net income were reported for charitable remainder unitrusts (Figure K). This was an increase

of 23.7 percent over the total net income reported in 2006. Total ordinary deductions increased by 120.6 percent between 2006 and 2007. Net long-term capital gains comprised the largest portion of the income, with \$7.8 billion reported, an increase of 18.9 percent from Filing Year 2006. Nontaxable income made up the smallest portion of income for all categories of CRUTs, accounting for only 0.9 percent of total income for all CRUTs.

Returns filed for charitable remainder unitrusts in 2007 reported \$67.6 billion in total accumulations, an increase of 11.0 percent over Filing Year 2006 (Figure L). Total accumulations included \$56.3 billion in prior-year undistributed income. Net long-term capital gains made up 87.1 percent of total accumulations. Undistributed income at the end of the tax year reported for CRUTs totaled \$60.7 billion in 2007, an increase of 9.8 percent from Filing Year 2006. End-of-year undistributed income exceeded the beginning-of-year values by 7.8 percent, accounting for the majority of income accumulations for the CRT population. This income accumulation is slightly higher than the 6.8-percent increase reported in 2006.

Figure K

Charitable Remainder Unitrusts: Income and Deductions, by Size of End-of-Year Book Value of Total Assets, Filing Year 2007

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Item	Total	Size of end-of-year book value of total assets		
		Under \$500,000 [1]	\$500,000 under \$3 million	\$3 million or more
	(1)	(2)	(3)	(4)
Number of returns	95,567	65,371	26,437	3,758
Total net income [2]	11,305,480	1,141,355	3,024,129	7,139,996
Net ordinary income [3]	3,091,800	377,546	799,850	1,914,403
Total ordinary income	4,180,784	478,290	992,666	2,709,829
Deductions allocable to ordinary income	1,088,985	100,743	192,815	795,426
Net short-term capital gain or (loss) [4]	275,391	38,434	76,262	160,695
Net long-term capital gain or (loss) [5]	7,838,514	710,471	2,104,677	5,023,366
Nontaxable income [6]	99,775	14,904	43,339	41,532

[1] Includes returns that did not report end-of-year book value of total assets (Form 5227, Part IV, line 37, column (b)) from the balance sheet, or that reported the amount as zero. Often, these zero amounts are explained by trusts filing a final return.

[2] Calculated as the sum of "ordinary income less deductions" (Form 5227, Part I, line 13), "net short-term capital gains (losses)" (line 16), "net long-term capital gains (losses)" (line 19), and "current tax year nontaxable income" (Part II, line 21 (d)).

[3] Taken from "ordinary income less deductions" (Form 5227, Part I, line 13). This amount may not equal "total ordinary income" (line 8) less "total deductions allocable to ordinary income" (line 12) due to taxpayer reporting discrepancies.

[4] Taken from Form 5227, Part I, line 16.

[5] Taken from Form 5227, Part I, line 19.

[6] Taken from Form 5227, Part II, line 21(d).

NOTE: Detail may not add to totals due to rounding and taxpayer reporting discrepancies.

Split-Interest Trusts, Filing Year 2007

Statistics of Income Bulletin | Winter 2009

Figure L

Charitable Remainder Unitrusts: Accumulation Information, by Type of Income, Filing Year 2007

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Item	Total	Type of income			
		Net ordinary income	Capital gains (losses)		Nontaxable income
			Net short-term	Net long-term	
	(1)	(2)	(3)	(4)	(5)
Total accumulations [1]	67,576,745	6,338,906	1,898,656	58,871,864	467,317
Prior-year undistributed [2]	56,267,684	3,247,107	1,447,412	51,205,624	367,542
Current-year accumulations [3]	11,305,480	3,091,800	275,391	7,838,514	99,775
Undistributed at end of tax year [4]	60,661,988	4,128,904	1,301,869	54,805,961	425,254

[1] Taken from Form 5227, Part II, line 22.

[2] Taken from Form 5227, Part II, line 20.

[3] Taken from Form 5227, Part II, line 21.

[4] Taken from Form 5227, Part II, line 23.

NOTES: Detail may not add to totals due to rounding. Additionally, the total accumulations for capital gains (losses) may be skewed due to netting short- and long-term values together.

Charitable remainder unitrust distributions are shown in Figure M. During Filing Year 2007, some \$7.4 billion in distributions were reported. Of this, large CRUTs, which made up just 3.9 percent of all CRUTs in 2007, accounted for 40.5 percent of total distributions that year, a decrease from Filing Year 2006 when they accounted for 43.2 percent of all distributions. In contrast, small CRUTs, which made up

68.4 percent of the CRUT filing population in 2007, reported distributions composing only 29.7 percent of the total. Long-term capital gains remained the largest source of distributions for charitable remainder unitrusts in all size classes, accounting for 50.8 percent of all distributions made by charitable remainder unitrusts. Nontaxable income contributed the smallest share to distributions for all CRUT

Figure M

Charitable Remainder Unitrusts: Distributions, by Size of End-of-Year Book Value of Total Assets, Filing Year 2007

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Item	All	Size of end-of-year book value of total assets		
		Under \$500,000 [1]	\$500,000 under \$3 million	\$3 million or more
	(1)	(2)	(3)	(4)
Number of returns	95,567	65,371	26,437	3,758
Total distributions [2]	7,407,058	2,200,954	2,205,973	3,000,131
Ordinary income [3]	2,219,866	353,354	759,744	1,106,769
Short-term capital gains [4]	604,303	40,717	106,293	457,292
Long-term capital gains [5]	3,759,754	1,337,853	1,075,997	1,345,904
Nontaxable income [6]	43,404	9,993	18,973	14,438
Corpus [7]	779,731	459,038	244,966	75,728

[1] Includes returns that did not report end-of-year book value of total assets (Form 5227, Part IV, line 37, column (b)) from the balance sheet, or that reported the amount as zero. Often, these zero amounts are explained by trusts filing a final return.

[2] May include distributions made after December 31 of the tax year and therefore may not be reflected on the accumulation schedule.

[3] Reported on Form 5227, Part III, column (a).

[4] Reported on Form 5227, Part III, column (b).

[5] Reported on Form 5227, Part III, column (c).

[6] Reported on Form 5227, Part III, column (d).

[7] Reported on Form 5227, Part III, column (e).

NOTE: Detail may not add to totals due to rounding.

Split-Interest Trusts, Filing Year 2007

Statistics of Income Bulletin | Winter 2009

returns filed in 2007, making up only 0.6 percent of overall total distributions.

Overall distributions from CRUTs increased by 23.9 percent between 2006 and 2007; however, as with CRATs, the ongoing trusts exhibit less change than the population (Figure N). The figure shows that distributions increased by 8.0 percent between the 2 years for ongoing trusts, which differs from the overall change. Corpus distributions, commonly made by terminating trusts, increased by 43.0 percent for the population but by only 5.2 percent for the ongoing returns. Similarly, long-term capital gain

distributions increased by 23.2 percent for the population of all returns, but decreased by 1.1 percent for ongoing returns.

Figure O presents the allocation of distributions reported for charitable remainder unitrusts in 2007 among basic beneficiary types. Grantors received \$4.3 billion, or 58.3 percent of distributions reported for charitable remainder unitrusts in 2007. The second most common beneficiary type was charities, which received \$1.4 billion in distributions, or 18.6 percent of all distributions. Noncharitable entities were the least common beneficiary of CRUTs, re-

Figure N

Charitable Remainder Unitrusts: Distributions, Filing Years 2006 and 2007

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Distribution type	All returns			Ongoing returns [1]		
	2006	2007	Percentage change	2006	2007	Percentage change
	(1)	(2)	(3)	(4)	(5)	(6)
Total distributions [2]	5,978,298	7,407,058	23.9	5,497,046	5,934,755	8.0
Ordinary income [3]	1,829,156	2,219,866	21.4	1,790,616	2,149,105	20.0
Short-term capital gains [4]	509,175	604,303	18.7	497,745	589,926	18.5
Long-term capital gains [5]	3,052,897	3,759,754	23.2	2,823,939	2,793,824	-1.1
Nontaxable income [6]	41,725	43,404	4.0	37,470	36,667	-2.1
Corpus [7]	545,345	779,731	43.0	347,276	365,233	5.2

[1] This category includes only returns that did not make initial or final distributions during the filing year.

[2] May include distributions made after December 31 of the tax year and therefore may not be reflected on the accumulation schedule.

[3] Reported on Form 5227, Part III, column (a).

[4] Reported on Form 5227, Part III, column (b).

[5] Reported on Form 5227, Part III, column (c).

[6] Reported on Form 5227, Part III, column (d).

[7] Reported on Form 5227, Part III, column (e).

NOTE: Detail may not add to totals due to rounding.

Figure O

Charitable Remainder Unitrusts: Distributions, by Beneficiary and Income Type, Filing Year 2007

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Beneficiary type	Total distributions [1]	Ordinary income [2]	Short-term capital gains [3]	Long-term capital gains [4]	Nontaxable income [5]	Corpus [6]
	(1)	(2)	(3)	(4)	(5)	(6)
All beneficiary types	7,407,058	2,219,866	604,303	3,759,754	43,404	779,731
Grantor	4,320,047	1,547,930	244,783	2,301,893	24,444	200,997
Other individual	1,046,194	419,609	58,371	464,364	14,735	89,113
Non-charitable entity	659,563	218,253	286,888	127,420	* 90	26,913
Charity	1,381,254	34,074	14,260	866,077	4,135	462,709

* Estimate should be used with caution because of the small number of sample returns on which it is based.

[1] May include distributions made after December 31 of the tax year and therefore may not be reflected on the accumulation schedule.

[2] Reported on Form 5227, Part III, column (a).

[3] Reported on Form 5227, Part III, column (b).

[4] Reported on Form 5227, Part III, column (c).

[5] Reported on Form 5227, Part III, column (d).

[6] Reported on Form 5227, Part III, column (e).

NOTE: Detail may not add to totals due to rounding.

Split-Interest Trusts, Filing Year 2007

Statistics of Income Bulletin | Winter 2009

ceiving 8.9 percent of all distributions. However, noncharitable entities were the most likely to receive short-term capital gain distributions. Charities were the most likely to receive distributions from trust corpus.

Charitable remainder unitrust returns filed in 2007 reported \$88.0 billion for end-of-year book value of assets (Figure P). Nearly all asset categories increased in value between 2006 and 2007. Approximately 89.0 percent of the asset value was made up of investments, a slight increase from returns filed in 2006. The investment patterns reported for CRUTs in 2007 mirror the patterns from previous years. Corporate stock, reported to be \$40.2 billion, continued to comprise the majority of the investment portfolio of CRUTs in 2007. Other investments, which include partnerships, annuities, and bonds issued by foreign governments, continued to make up the second largest component of investment portfolios. Trustees of large CRUTs reported 75.8 percent of the value of other investments reported for all CRUTs. Real estate investments were the smallest component

of investments for CRUTs of all sizes. Other assets, including charitable purpose land, buildings, and equipment, declined by 18.5 percent between 2006 and 2007. Overall, CRUT returns reported \$1.3 billion in liabilities during the filing year.

As discussed earlier, charitable remainder unitrusts distribute a fixed percentage, between 5.0 percent and 50.0 percent, of the fair market value of the trust property, valued annually. This percentage is called the unitrust percentage and must remain fixed throughout the life of the trust. Figure Q shows that 80,193 CRUT returns, or 83.9 percent, reported unitrust percentages from 5.0 percent to less than 10.0 percent. However, returns for larger trusts reported higher unitrust percentages than the small and medium CRUT returns. For example, only 12.9 percent of small CRUT returns reported percentages from 10.0 to less than 20.0; however, 20.9 percent of large CRUT returns fell into this category. The figure also shows that the distribution of unitrust percentages within the 5.0 to less than 10.0 category is relatively consistent, averaging about 20.0 percent, with the

Figure P

Charitable Remainder Unitrusts: Investment Allocations, by Size of End-of-Year Book Value of Total Assets, Filing Year 2007

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Item	Total		Size of end-of-year book value of total assets					
			Under \$500,000 [1]		\$500,000 under \$3 million		\$3 million or more	
	Amount	Percentage of total investments	Amount	Percentage of total investments	Amount	Percentage of total investments	Amount	Percentage of total investments
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Total book value of assets at end of year	88,027,337	N/A	11,922,531	N/A	28,379,412	N/A	47,725,394	N/A
Total investments	78,355,692	100.0	10,387,183	100.0	24,719,059	100.0	43,249,451	100.0
U.S. and State government obligations [2]	5,569,829	7.1	522,575	5.0	2,006,646	8.1	3,040,608	7.0
Corporate stock [3]	40,242,190	51.4	6,431,287	61.9	15,500,331	62.7	18,310,572	42.3
Corporate bonds [4]	7,733,001	9.9	1,414,417	13.6	3,050,203	12.3	3,268,382	7.6
Land, buildings, and equipment [5]	757,589	1.0	91,559	0.9	272,038	1.1	393,993	0.9
Other investments [6]	24,053,083	30.7	1,927,346	18.6	3,889,842	15.7	18,235,896	42.2
Total book value of liabilities at end of year	1,286,030	N/A	141,700	N/A	385,029	N/A	759,302	N/A

N/A—Not applicable.

[1] Includes returns that did not report end-of-year book value of total assets (Form 5227, Part IV, line 37, column (b)) from the balance sheet, or that reported the amount as zero. Often, these zero amounts are explained by trusts filing a final return.

[2] Taken from Form 5227, Part IV, line 32a, column (b).

[3] Taken from Form 5227, Part IV, line 32b, column (b).

[4] Taken from Form 5227, Part IV, line 32c, column (b).

[5] Taken from Form 5227, Part IV, line 33, column (b).

[6] Taken from Form 5227, Part IV, line 34, column (b).

NOTE: Detail may not add to totals due to rounding and taxpayer reporting discrepancies.

Split-Interest Trusts, Filing Year 2007

Statistics of Income Bulletin | Winter 2009

Figure Q

Charitable Remainder Unitrusts: Reported Unitrust Percentage, by Size of End-of-Year Book Value of Total Assets, Filing Year 2007

[All figures are estimates based on samples]

Unitrust percentage	Total		Size of end-of-year book value of total assets					
			Under \$500,000 [1]		\$500,000 under \$3 million		\$3 million or more	
	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
All returns [2]	95,567	100.0	65,371	100.0	26,437	100.0	3,758	100.0
5.0 percent, under 10.0 percent	80,193	83.9	55,271	84.5	22,095	83.6	2,826	75.2
5.0 percent, under 6.0 percent	18,166	19.0	11,453	17.5	5,644	21.3	1,070	28.5
6.0 percent, under 7.0 percent	18,413	19.3	12,911	19.8	4,939	18.7	563	15.0
7.0 percent, under 8.0 percent	19,404	20.3	14,142	21.6	4,730	17.9	533	14.2
8.0 percent, under 9.0 percent	19,150	20.0	13,292	20.3	5,392	20.4	466	12.4
9.0 percent, under 10.0 percent	5,059	5.3	3,474	5.3	1,390	5.3	196	5.2
10.0 percent, under 20.0 percent	12,689	13.3	8,433	12.9	3,473	13.1	784	20.9
20.0 percent, under 35.0 percent	460	0.5	202	0.3	198	0.7	60	1.6
35.0 percent, to 50.0 percent	149	0.2	80	0.1	41	0.2	27	0.7

[1] Includes returns that did not report end-of-year book value of total assets (Form 5227, Part IV, line 37, column (b)) from the balance sheet, or that reported the amount as zero. Often, these zero amounts are explained by trusts filing a final return.

[2] Includes 2,075 returns for which an invalid unitrust percentage was reported and efforts made to correct the unitrust percentage were not successful.

NOTES: Detail may not add to totals due to rounding.

exception of CRUT returns reporting unitrust percentages from 9.0 to less than 10.0, which accounts for only 5.3 percent of the total CRUT population. Only about 0.2 percent of CRUT returns reported a unitrust percentage of 35.0 or higher.

Additional contributions occur when a charitable remainder unitrust receives assets after the initial funding that occurs when the trust is created. In Filing Year 2007, some 2,151, or 2.3 percent of all CRUT returns, reported \$634.2 million in additional contributions (Figure R). This continues the decline in both number and value of additional contributions from previous years. Because they dominate the population, small CRUTs reported the largest quantity of additional contributions; however, large CRUTs received the largest dollar value of additional contributions. Stocks continued to be the most common type of asset contributed, composing 61.1 percent of all contributions reported in 2007. Contributions of other assets, including insurance, art, and retirement assets, totaled \$94.2 million, of which 46.2 percent was reported for medium CRUTs. Additional contributions of bonds totaled \$7.5 million, making them the least common asset contributed to CRUTs in 2007.

Charitable Lead Trusts

Trustees filed returns for 6,377 charitable lead trusts in 2007, a 1.3-percent increase from the number filed in 2006. Forms filed for CLTs reported \$956.2 million in required payments to charities and only \$18.0 million in required payments to private beneficiaries (Figure S). Figure S also shows that \$18.7 billion in end-of-year total assets were reported for charitable lead trusts in Filing Year 2007, a \$2.2-billion increase from 2006. Large CLTs, despite making up only 14.5 percent of the population, reported 78.9 percent of the end-of-year total asset value. Investments made up 81.8 percent, or \$15.3 billion, of total assets reported for CLTs overall. Other investments, which include partnerships, annuities, and bonds issued by foreign governments, made up the 47.7 percent of the total investments. However, corporate stock also comprised a substantial share of the investment portfolio, with \$6.4 billion, or 41.9 percent of total investments reported. Land, buildings, and equipment investments continued to make up the smallest share of CLT investments overall. CLTs claimed \$597.0 million in total liabilities, of which 82.1 percent was reported for large trusts. Overall, end-of-year net

Split-Interest Trusts, Filing Year 2007

Statistics of Income Bulletin | Winter 2009

Figure R

Charitable Remainder Unitrusts: Additional Contributions, by Type and Size of End-of-Year Book Value of Total Assets, Filing Year 2007

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Item	Total	Size of end-of-year book value of total assets		
		Under \$500,000 [1]	\$500,000 under \$3 million	\$3 million or more
	(1)	(2)	(3)	(4)
Number of returns	95,567	65,371	26,437	3,758
Number of unitrusts with additional contributions	2,151	1,307	715	129
Total additional contributions [2]	634,181	70,767	241,739	321,675
Cash and money market accounts	112,610	13,706	35,813	63,090
Stocks [3]	387,623	36,657	145,911	205,055
Bonds	* 7,458	** 7,500	* 5,855	** 15,732
Real estate [4]	32,328	**	* 10,699	**
Other assets [5]	94,163	12,904	43,462	37,797

* Estimate should be used with caution because of the small number of sample returns on which it is based.

** Data are combined to prevent disclosure of individual taxpayer data. However, the data are included in the appropriate totals.

[1] Includes returns that did not report end-of-year book value of total assets (Form 5227, Part IV, line 37, column (b)) from the balance sheet, or that reported the amount as zero. Often these zero amounts are explained by trusts filing a final return.

[2] The values for additional contributions are taken from attachments to Form 5227.

[3] The value of stock includes both publicly traded and closely held stocks.

[4] The value given for real estate includes traditional real estate, as well as real estate mutual funds and partnerships.

[5] Other assets includes such items as retirement assets, annuities, partnerships, insurance assets, and art.

NOTE: Detail may not add to totals due to rounding.

Figure S

Charitable Lead Trusts: Distributions and Investment Allocations, by Size of End-of-Year Book Value of Total Assets, Filing Year 2007

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Item	Total	Size of end-of-year book value of total assets		
		Under \$500,000 [1]	\$500,000 under \$3 million	\$3 million or more
	(1)	(2)	(3)	(4)
Number of returns	6,377	2,660	2,793	924
Required distributions [2]:				
Required excess income payments for charitable purposes	54,428	** 6,805	** 4,451	47,321
Required payments to charitable beneficiaries	956,154	93,578	259,964	602,612
Required payments to private beneficiaries	* 17,971	**	**	* 13,822
Total book value of assets at end of year	18,690,926	491,527	3,450,797	14,748,602
Total investments [3]	15,280,687	418,448	3,018,357	11,843,882
U.S. and State government obligations	733,775	45,190	179,340	509,245
Corporate stock	6,403,286	288,762	1,955,317	4,159,207
Corporate bonds	701,020	22,523	189,784	488,713
Land, buildings, and equipment	153,078	** 61,972	** 693,916	115,588
Other investments	7,289,528	**	**	6,571,128
Total book value of liabilities at end of year	597,022	44,403	62,416	490,204

* Estimate should be used with caution because of the small number of sample returns on which it is based.

** Data are combined to prevent disclosure of individual taxpayer data. However, the data are included in the appropriate totals.

[1] Includes returns that did not report end-of-year book value of total assets (Form 5227, Part IV, line 37, column (b)) from the balance sheet, or that reported the amount as zero. Often, these zero amounts are explained by trusts filing a final return.

[2] Preparers of charitable lead trust returns are not required to disclose actual distributions. Instead, required distributions are reported on Form 5227, Part VII, Section A, lines 2 through 4.

[3] Investments are calculated as the sum of U.S. and State government obligations (Form 5227, Part IV, line 32a, column (b)), corporate stock (line 32b, column (b)), corporate bonds (line 32c, column (b)), land, buildings, and equipment (line 33, column (b)), and other investments (line 34, column (b)).

NOTE: Detail may not add to totals due to rounding and taxpayer reporting discrepancies.

Split-Interest Trusts, Filing Year 2007

Statistics of Income Bulletin | Winter 2009

asset values reported for CLTs increased by 13.2 percent, the largest increase of all SIT types.

Pooled Income Funds

Trustees of pooled income funds filed 1,528 returns in 2007, virtually unchanged from 2006 when 1,676 were filed. PIF trustees reported \$62.8 million required in income distributions to private beneficiaries and only \$1.3 million required in income distributions to charitable beneficiaries (Figure T). Of the \$1.6 billion in end-of-year total assets reported for PIFs, \$1.5 billion, or 90.8 percent, were investment assets. Corporate stock and corporate bonds made up nearly equal shares of the investment portfolio for PIFs. However, corporate bonds dominated the investments of small and medium-pooled income funds. Pooled income funds claimed \$131.1 million in end-of-year total liabilities for Filing Year 2007.

Large PIFs reported 95.5 percent of total liabilities despite making up only 6.6 percent of the population.

Summary

While the number of Forms 5227 filed continued to decrease slightly between 2006 and 2007, income, assets, and liabilities increased for SITs overall. Total net income increased by 22.1 percent for CRTs between the 2 years. For all SITs, the book value of assets at the end of the year increased by 8.6 percent; however, the book value of liabilities increased by 12.4 percent. Net asset value at the end of the year increased to \$115.4 billion in 2007.

Returns for charitable remainder trusts continue to comprise the majority of the split-interest trust population. Total net income for CRTs increased between 2006 and 2007, as increases in ordinary income, net capital gains, and nontaxable income more

Figure T

Pooled Income Funds: Distributions and Investment Allocations, by Size of End-of-Year Book Value of Total Assets, Filing Year 2007

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Item	Total	Size of end-of-year book value of total assets		
		Under \$500,000 [1]	\$500,000 under \$3 million	\$3 million or more
	(1)	(2)	(3)	(4)
Number of returns	1,528	1,180	247	101
Required distributions [2]:				
Required distribution to satisfy remainder interest [3]	75,616	10,863	20,243	44,510
Undistributed required payments to remainder beneficiary [4]	4,311	* 2,888	* 638	* 785
Required income distribution to private beneficiaries [5]	62,773	5,913	10,738	46,122
Required income distribution to charitable remainder beneficiary [6]	1,302	426	617	259
Total book value of assets at end of year	1,607,555	138,687	307,440	1,161,427
Total investments [7]	1,459,982	113,088	275,438	1,071,456
U.S. and State government obligations	193,297	19,503	19,733	154,061
Corporate stock	441,180	27,666	83,192	330,323
Corporate bonds	494,827	55,608	145,017	294,201
Other investments [8]	330,677	10,312	27,496	292,870
Total book value of liabilities at end of year	131,062	930	5,017	125,114

* Estimate should be used with caution because of the small number of sample returns on which it is based.

[1] Includes returns that did not report end-of-year book value of total assets (Form 5227, Part IV, line 37, column (b)) from the balance sheet, or that reported the amount as zero. Often, these zero amounts are explained by trusts filing a final return.

[2] Preparers of pooled income fund returns are not required to disclose actual distributions. Instead, required distributions are reported on Form 5227, Part VII, Section B, lines 2 through 5.

[3] Taken from Form 5227, Part VII, Section B, line 2.

[4] Taken from Form 5227, Part VII, Section B, line 3.

[5] Taken from Form 5227, Part VII, Section B, line 4.

[6] Taken from Form 5227, Part VII, Section B, line 5.

[7] Investments are calculated as the sum of U.S. and State government obligations (Form 5227, Part IV, line 32a, column (b)), corporate stock (line 32b, column (b)), corporate bonds (line 32c, column (b)), land, buildings, and equipment (line 33, column (b)), and other investments (line 34, column (b)).

[8] Other investments include values taken from Form 5227, Part IV, line 33, column (b), as well as values from line 34, column (b).

NOTE: Detail may not add to totals due to rounding and taxpayer reporting discrepancies.

Split-Interest Trusts, Filing Year 2007

Statistics of Income Bulletin | Winter 2009

than offset the 108.9-percent increase in ordinary deductions. Trustees of charitable remainder unitrusts reported an increase in distributions of 23.9 percent, while trustees of charitable remainder annuity trusts reported a 17.7-percent decline in distributions. The number of returns for charitable lead trusts increased by 1.3 percent. However, preparers of CLT returns reported the largest increases in assets and liabilities, 13.4 percent, and 20.2 percent respectively, of all SIT types. Pooled income fund returns filed decreased by 8.8 percent between 2006 and 2007.

Data Sources and Limitations

The data presented in this article were collected from a sample of Forms 5227, *Split-Interest Trust Information Returns*, during Filing Year 2007. A filing year includes returns received by IRS for processing between January 1 and December 31 of a given year and is primarily comprised of returns for the tax year immediately prior. However, it may include late-filed returns for numerous other tax years. For Filing Year 2007, approximately 97.8 percent of returns included in the sample are for Tax Year 2006, while Tax Year 2005 returns comprised 1.4 percent

of the sampled returns. Partial-year returns, for either initial or final reporting periods, were included in the SOI sample. All returns included in the sample were computer-designated at the IRS Ogden Submission Processing Center after posting to the IRS Master File.

For Filing Year 2007, a sample of 12,548 returns was drawn from an estimated population of 124,353. The sample size excludes returns that were selected for the sample but later rejected. Returns could be rejected if they were not one of the four types of trusts included in the study or if no money amounts were reported. The sample was stratified by the type of the trust (charitable remainder annuity trust, charitable remainder unitrust, charitable lead trust, or pooled income fund) and the reported book value of end-of-year total assets. Figure U details the sampling strata and rates. The magnitude of sampling error for selected items, measured by coefficients of variation, is shown in Figure V.

All samples were designed to provide reliable estimates of financial activity. All data were collected from original returns as they were filed. All edited returns were subjected to comprehensive testing and data verification procedures to ensure the highest

Figure U

Population, Sample, and Sampling Rates, by Type of Split-Interest Trust and Asset Strata, Filing Year 2007

Item	Total	Reported end-of-year book value of total assets [1]		
		Less than \$1 million	\$1 million under \$10 million	\$10 million or more
	(1)	(2)	(3)	(4)
Charitable remainder annuity trusts:				
Population	20,432	18,671	1,677	84
Sample	1,906	1,170	652	84
Sampling rate (percentage)	9.3	6.3	38.9	100.0
Charitable remainder unitrusts:				
Population	95,870	81,486	13,548	836
Sample	9,400	4,052	4,512	836
Sampling rate (percentage)	9.8	5.0	33.3	100.0
Charitable lead trusts:				
Population	6,506	4,216	2,014	276
Sample	1,014	231	507	276
Sampling rate (percentage)	15.6	5.5	25.2	100.0
Pooled income funds:				
Population	1,545	1,299	219	27
Sample	268	129	112	27
Sampling rate (percentage)	17.3	9.9	51.1	100.0

[1] This is the value the tax preparer reported on Form 5227, Part IV, line 47, column (b).

Split-Interest Trusts, Filing Year 2007

Statistics of Income Bulletin | Winter 2009

Figure V

Coefficients of Variation for Selected Items, by Type of Split-Interest Trust and Size of End-of-Year Book Value of Total Assets, Filing Year 2007

Item	Total	Size of end-of-year book value of total assets		
		Under \$500,000 [1]	\$500,000 under \$3 million	\$3 million or more
	Coefficient of variation (percentage)			
	(1)	(2)	(3)	(4)
Charitable remainder annuity trusts:				
Number of returns	0.62	1.29	4.86	4.89
Net ordinary income [2]	3.01	7.65	5.85	4.00
Net short-term capital gain income [3]	17.10	26.54	25.50	33.45
Net long-term capital gain income [4]	5.77	10.74	10.45	8.52
End-of-year total assets (book value) [5]	1.77	3.55	3.86	3.10
End-of-year total liabilities (book value) [7]	18.59	28.32	26.08	15.27
Charitable remainder unitrusts:				
Number of returns	0.14	0.77	1.89	1.81
Net ordinary income [2]	0.91	3.59	2.49	0.95
Net short-term capital gain income [3]	6.41	21.32	11.28	8.17
Net long-term capital gain income [4]	1.64	7.69	3.68	1.85
End-of-year total assets (book value) [5]	0.48	1.48	1.36	0.77
End-of-year total assets (fair market value) [6]	0.57	2.32	1.43	0.81
End-of-year total liabilities (book value) [7]	4.06	10.35	7.88	5.31
Charitable lead trusts:				
Number of returns	0.96	4.99	4.77	3.92
End-of-year total assets (book value) [5]	0.99	8.40	3.60	1.46
End-of-year total liabilities (book value) [7]	5.90	40.14	39.18	3.78
Required payment to private beneficiaries [8]	43.70	84.67	51.42	54.96
Required payment to charitable beneficiaries [9]	3.37	20.38	8.38	3.19
Pooled income funds:				
Number of returns	0.89	2.68	12.13	7.06
End-of-year total assets (book value) [5]	2.41	8.39	7.77	3.62
End-of-year total liabilities (book value) [7]	1.82	50.01	46.45	0.25
Required payment to private beneficiaries [8]	3.41	23.01	8.85	3.87

[1] Includes returns that did not report end-of-year book value of total assets (Form 5227, Part IV, line 37, column (b)) from the balance sheet, or that reported the amount as zero. Often, these zero amounts are explained by trusts filing a final return.

[2] Taken from Form 5227, Part I, line 13.

[3] Taken from Form 5227, Part I, line 16.

[4] Taken from Form 5227, Part I, line 19.

[5] Taken from Form 5227, Part IV, line 37, column (b).

[6] For charitable remainder unitrusts, taken from an estimated end-of-year fair market value.

[7] Taken from Form 5227, Part IV, line 43, column (b).

[8] In the case of charitable lead trusts, this value is based on the amount on Form 5227, Part VII, Section A, line 4. In the case of pooled income funds, this value is based on the amount on Form 5227, Part VII, Section B, line 4.

[9] Taken from Form 5227, Part VII, Section A, line 3.

quality of data. Changes that were made to the return after filing, either by the taxpayer (on an amended return) or during IRS processing, were not generally incorporated. A complete discussion of the reliability of estimates based on samples, methods for evaluating the magnitude of both sampling and nonsampling error, and the precision of the sample estimates can

be found in the Appendix in this issue of the *SOI Bulletin*.

Explanation of Selected Terms

Annuity trust—An annuity trust is a trust in which the payments for the duration of the trust, either to a private or charitable beneficiary, are of a

fixed amount. In the context of this article, an annuity trust can be either a charitable remainder trust (with a private income beneficiary) or a charitable lead trust (with a charitable income beneficiary). The payment amount is determined by multiplying a specified percentage by the fair market value of the assets initially placed in the trust.

Beneficiary(ies)—Beneficiary(ies) refers to the person, persons, or organization that receives payments or assets from a trust. Recipient is used interchangeably with beneficiary. Beneficiaries can be either charitable or noncharitable (private), and can be either an income beneficiary or a remainder beneficiary.

Book value—Book value is generally the cost basis of an asset, or the price at which an asset is acquired. All trusts must report the beginning- and end-of-year book value of their assets on Part IV, Balance Sheet, Columns A and B, of Form 5227. All book value amounts referred to in this article are end-of-year book value amounts.

Charitable lead trust (CLT)—Charitable lead trusts are split-interest trusts in which a designated charitable organization receives an income stream from the assets in trust; one or more private beneficiaries receive the remainder interest of the trust. Charitable lead trusts can be classified as either grantor or nongrantor lead trusts, and payments can be made on an annuity basis or a unitrust basis.

Charitable remainder annuity trust (CRAT)—A charitable remainder annuity trust is a charitable remainder trust in which the income payments to the private beneficiary are fixed. The payment amount is calculated by multiplying the designated percentage by the fair market value of the assets initially placed in the trust.

Charitable remainder trust (CRT)—Charitable remainder trusts are split-interest trusts in which a private, or noncharitable, beneficiary receives a stream of income for the duration of the trust, and a designated charity receives the remainder interest of the trust. Charitable remainder trusts can be either annuity trusts or unitrusts, depending on the method used to calculate the payment amounts. Further, unitrusts can be of the net income or net income with makeup variety.

Charitable remainder unitrust (CRUT)—A charitable remainder unitrust is a charitable remainder trust in which the income payments to the private

beneficiary fluctuate with the annual value of the assets in the trust. The payment amount is calculated by multiplying the designated percentage by the fair market value of the assets, as they are valued each year. Unitrusts can have net income or net income with makeup provisions.

Charity or charitable organization—A charity, or charitable organization, refers to a tax-exempt organization with purposes that are charitable, educational, scientific, literary, or religious in nature, or that otherwise qualifies as a 501(c) (3) organization.

Donor—A donor, also referred to as a grantor or contributor, is the individual who transfers personal assets into the trust or fund.

Fair market value—Fair market value is defined, for the purposes of this article, as the market price of the asset (or liability) as of a certain point in time. The fair market value of assets and liabilities is reported by charitable remainder unitrusts in Part IV, Balance Sheet, Column C, of Form 5227.

Grantor charitable lead trust—Charitable grantor lead trusts name the donor (grantor) as the remainder beneficiary. In establishing a grantor lead trust, the donor is entitled to an income tax deduction for the year in which the trust was created, but he or she must also pay taxes on the income generated by the trust's assets. The income generated is paid to a designated charitable beneficiary.

Income beneficiary—The income beneficiary of a split-interest trust is the recipient of the stream of payments made over the duration of the trust. The income beneficiary of charitable remainder trusts and pooled income funds is the private (noncharitable) beneficiary; in charitable lead trusts, the income beneficiary is the designated charitable organization.

Income interest—Income interest refers to the right to receive payments made to beneficiaries during the life of the trust. Income interest is paid to the income beneficiary.

Investments—Investments refer to the sum of "Government obligations" (line 32a); "corporate stock" (line 32b); "corporate bonds" (line 32c); "land, buildings, and equipment that is not held for charitable purposes" (line 33); and "other investments" (line 34) reported on the balance sheet (Part IV, Form 5227).

Net income charitable remainder unitrust (NICRUT)—Net income charitable remainder unitrusts are charitable remainder unitrusts that allow the

Split-Interest Trusts, Filing Year 2007

Statistics of Income Bulletin | Winter 2009

annual payment to the private beneficiary to be the lesser of either the unitrust amount or the trust's net income.

Net income with makeup charitable remainder unitrusts (NIM-CRUT)—Net income with makeup charitable remainder unitrusts are charitable remainder unitrusts that allow the annual payment to the private beneficiary to be the lesser of either the unitrust amount or the trust's net income. Deficiencies in the distributions, which occur when the net income is less than the unitrust payment amount, are then made up in subsequent years when the net income of the trust is greater than the unitrust amount.

Nongrantor charitable lead trust—Charitable nongrantor lead trusts name as the remainder beneficiary a recipient other than the grantor (donor). Usually, the remainder beneficiary is a child or grandchild of the grantor.

Ordinary income—Ordinary income is income from the following sources: interest; dividends; business income; rents, royalties, partnerships, and other estates and trusts; farm income; ordinary gain; and "other income." Ordinary income is reported in Part I, Ordinary Income, of Form 5227.

Pooled income fund (PIF)—A pooled income fund is a fund established and maintained by a charity to invest and manage assets donated by multiple donors. Income from the assets is distributed annually on a prorated basis to the named beneficiaries. On the termination of an income interest (due to the death of one of the beneficiaries), a prorated part of the basis of the fund is removed and given to the charity.

Remainder beneficiary—The remainder beneficiary of a split-interest trust is the recipient of the trust's assets at the conclusion of the trust. In the case of charitable remainder trusts, the remainder beneficiary is the selected charity; in charitable lead trusts, the remainder beneficiary is the designated private beneficiary.

Remainder interest—The remainder interest of a trust is the right to receive assets remaining at the

conclusion of the trust, after all liabilities have been settled and prior payments to beneficiaries have been made. This interest is then distributed to the remainder beneficiary.

Securities—Securities refer to the sum of "Government obligations" (line 32a); "corporate stock" (line 32b); and "corporate bonds" (line 32c) reported on the balance sheet (Part IV, Form 5227).

Short-term investments—Short-term investments are securities that mature in 1 year or less. Treasury bills and short-term corporate notes are common examples of short-term investments.

Split-interest trust—A split-interest trust, according to the *2006 Instructions for Form 5227*, is a trust that "is not exempt from tax under Internal Revenue Code section 501(a); has some unexpired interests that are devoted to purposes other than religious, charitable, or similar purposes described in Code section 170(c)(2)(B); and has amounts transferred in trust after May 26, 1969, for which a deduction was allowed under one of the Code sections listed in section 4947(a)(2)."

Trust—A trust is a legal arrangement among its creator (donor or grantor), the manager of the trust (trustee), and the beneficiary or beneficiaries of the trust. Trusts are legal entities in their own right, and can be responsible for any tax liabilities separate from the liabilities of the grantor and beneficiary. The conditions and provisions of a trust are defined in the trust document.

Unitrust—A unitrust is a trust in which the income interest, paid either to a private or charitable beneficiary, varies with the annual fair market value of the total assets of the trust in a given year. In the context of this article, a unitrust can be either of the charitable remainder trust (with income payments to a private beneficiary) or charitable lead trust (with income payments to a charitable beneficiary) variety. The payment amount is determined by multiplying a specified percentage by the fair market value of the assets of the trust, valued annually.

Split-Interest Trusts, Filing Year 2007

Statistics of Income Bulletin | Winter 2009

Table 1. Charitable Remainder Annuity Trusts: Income and Deductions, by Size of End-of-Year Book Value of Total Assets, Filing Year 2007

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Item	Total	Size of end-of-year book value of total assets				
		Under \$500,000 [1]	\$500,000 under \$1 million	\$1 million under \$3 million	\$3 million under \$10 million	\$10 million or more
	(1)	(2)	(3)	(4)	(5)	(6)
Number of returns	20,187	16,156	2,238	1,366	350	77
Total net income [2]	897,233	178,227	137,668	227,673	156,255	197,410
Net ordinary income [3]	278,178	61,864	39,570	61,262	45,703	69,779
Total ordinary income [4]	333,170	76,707	49,371	73,538	55,908	77,646
Interest income	116,569	24,446	15,172	22,505	20,846	33,601
Dividends and business income (loss)	178,156	39,964	32,207	35,934	27,560	42,491
Other income [5]	38,445	12,298	1,992	15,100	7,502	1,554
Total deductions [6]	54,991	14,843	9,801	12,276	10,205	7,867
Interest	626	* 18	* 8	256	** 403	** 86
Taxes	1,216	39	710	322	**	**
Other deductions	53,150	14,786	9,083	11,698	9,802	7,782
Net short-term capital gain (loss) [7]	16,862	4,182	2,030	7,654	894	2,101
Total short-term capital gain (loss)	17,724	4,342	2,195	7,908	1,109	2,170
Deductions allocable to short-term capital gain (loss)	861	160	165	253	* 215	* 69
Net long-term capital gain (loss) [8]	566,498	106,046	89,223	150,321	99,852	121,056
Total long-term capital gain (loss) [9]	574,035	108,357	90,547	152,653	100,783	121,696
Deductions allocable to long-term capital gain (loss)	7,537	2,311	1,324	2,331	930	* 641
Nontaxable income [10]	35,695	6,134	6,845	8,435	9,806	4,474

* Estimate should be used with caution because of the small number of sample returns on which it is based.

** Data are combined to prevent disclosure of individual taxpayer data. However, the data are included in the appropriate totals.

[1] Includes returns that did not report the end-of-year book value of total assets (Form 5227, Part IV, line 37, column (b)) from the balance sheet, or that reported the amount as zero. Often, these zero amounts are explained by trusts filing a final return.

[2] Calculated as the sum of "net ordinary income" (Form 5227, Part I, line 13), "net short-term capital gains (losses)" (line 16), "net long-term capital gains (losses)" (line 19), and "current tax year nontaxable income" (Part II, line 21(d)).

[3] Taken from "net ordinary income" (Form 5227, Part I, line 13). This amount may not equal "total ordinary income" (line 8) less "total deductions allocable to ordinary income" (line 12) due to taxpayer reporting discrepancies.

[4] Taken from Form 5227, Part I, line 8.

[5] Calculated as the sum of "rents, royalties, partnerships, other estates, and trusts" (Form 5227, Part I, line 4), "farm income or loss" (line 5), "ordinary gain or loss" (line 6), and "other income" (line 7).

[6] Taken from Form 5227, Part I, line 12.

[7] Taken from Form 5227, Part I, line 16.

[8] Taken from Form 5227, Part I, line 19.

[9] Taken from Form 5227, Part I, line 17a.

[10] Taken from Form 5227, Part II, line 21(column d).

NOTE: Detail may not add to totals due to rounding.

Split-Interest Trusts, Filing Year 2007

Statistics of Income Bulletin | Winter 2009

Table 2. Charitable Remainder Annuity Trusts: Accumulation Information, by Size of End-of-Year Book Value of Total Assets, Filing Year 2007

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Item	Total	Size of end-of-year book value of total assets				
		Under \$500,000 [1]	\$500,000 under \$1 million	\$1 million under \$3 million	\$3 million under \$10 million	\$10 million or more
	(1)	(2)	(3)	(4)	(5)	(6)
Number of returns	20,187	16,156	2,238	1,366	350	77
Total accumulations [2]	5,543,820	1,233,662	790,961	1,082,491	1,085,764	1,350,942
Net ordinary income	534,944	158,625	62,459	85,830	125,325	102,705
Net short-term capital gain (loss)	49,493	4,040	8,413	14,753	7,935	14,352
Net long-term capital gain (loss)	4,779,049	1,039,112	690,123	933,422	898,609	1,217,782
Nontaxable income	180,334	31,885	29,966	48,485	53,895	16,102
Prior-year undistributed income [3]	4,646,586	1,055,434	653,293	854,818	929,509	1,153,532
Net ordinary income	256,766	96,760	22,889	24,567	79,622	32,927
Net short-term capital gain (loss)	22,875	-1,496	5,626	4,482	4,113	10,150
Net long-term capital gain (loss)	4,222,307	934,420	601,656	785,718	801,685	1,098,828
Nontaxable income	144,639	25,751	23,121	40,050	44,089	11,628
Current year net income [4]	897,233	178,227	137,668	227,673	156,255	197,410
Net ordinary income	278,178	61,864	39,570	61,262	45,703	69,779
Net short-term capital gain (loss)	16,862	4,182	2,030	7,654	894	2,101
Net long-term capital gain (loss)	566,498	106,046	89,223	150,321	99,852	121,056
Nontaxable income	35,695	6,134	6,845	8,435	9,806	4,474
Undistributed at end of year [5]	4,696,376	916,361	654,634	955,922	965,315	1,204,144
Net ordinary income	212,919	32,524	22,966	31,559	83,376	42,495
Net short-term capital gain (loss)	32,132	334	5,769	10,609	3,880	11,539
Net long-term capital gain (loss)	4,301,635	860,127	601,245	872,241	830,543	1,137,479
Nontaxable income	149,691	23,376	24,654	41,514	47,516	12,632

[1] Includes returns that did not report the end-of-year book value of total assets (Form 5227, Part IV, line 37, column (b)) from the balance sheet, or that reported the amount as zero. Often, these zero amounts are explained by trusts filing a final return.

[2] Taken from Form 5227, Part II, line 22.

[3] Taken from Form 5227, Part II, line 20.

[4] Taken from Form 5227, Part II, line 21.

[5] Taken from Form 5227, Part II, line 23.

NOTE: Detail may not add to totals due to rounding.

Split-Interest Trusts, Filing Year 2007

Statistics of Income Bulletin | Winter 2009

Table 3. Charitable Remainder Annuity Trusts: Book Value Balance Sheet Information, by Size of End-of-Year Book Value of Total Assets, Filing Year 2007

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Item	Total	Size of end-of-year book value of total assets				
		Under \$500,000 [1]	\$500,000 under \$1 million	\$1 million under \$3 million	\$3 million under \$10 million	\$10 million or more
	(1)	(2)	(3)	(4)	(5)	(6)
Number of returns	20,187	16,156	2,238	1,366	350	77
Total net assets [2]	9,080,252	1,750,066	1,605,906	2,090,913	1,748,613	1,884,754
Total assets [3]	9,280,129	1,788,803	1,612,288	2,220,146	1,762,640	1,896,252
Cash	163,021	36,893	56,065	45,941	12,315	11,807
Savings and temporary cash investments	718,057	110,251	113,850	166,229	151,219	176,508
Receivables due, inventories and prepaid expenses [4]	164,679	32,994	9,579	57,572	6,152	58,382
Total investments	8,035,104	1,541,925	1,391,917	1,885,584	1,567,862	1,647,815
Securities	6,494,251	1,247,212	1,213,429	1,478,268	1,352,572	1,202,769
U.S. and State government obligations	1,192,677	163,094	192,398	301,096	337,890	198,198
Corporate stock	4,142,474	841,597	776,384	940,591	789,124	794,777
Corporate bonds	1,159,100	242,521	244,646	236,581	225,557	209,795
Land, buildings, and equipment	93,984	** 294,713	** 178,488	43,875	* 20,027	* 1,753
Other investments	1,446,869	**	**	363,440	195,264	443,293
Other assets [5]	199,264	66,737	40,875	64,820	25,092	* 1,740
Total liabilities [6]	199,877	38,737	6,382	129,233	14,028	11,497
Accounts payable, accrued expenses, and deferred revenue	21,641	9,693	* 3,756	7,554	** 14,028	** 11,497
Other liabilities [7]	178,236	29,045	2,625	121,679	**	**

* Estimate should be used with caution because of the small number of sample returns on which it is based.

** Data are combined to prevent disclosure of individual taxpayer data. However, the data are included in the appropriate totals.

[1] Includes returns that did not report the end-of-year book value of total assets (Form 5227, Part IV, line 37, column (b)) from the balance sheet, or that reported the amount as zero. Often, these zero amounts are explained by trusts filing a final return.

[2] Taken from Form 5227, Part IV, line 46, column (b). This is the excess of total assets over total liabilities. This value may deviate from the calculated value of total assets (line 37, column (b)) less total liabilities (line 43, column (b)) due to taxpayer reporting discrepancies.

[3] Taken from Form 5227, Part IV, line 37, column (b).

[4] Calculated as the sum of "accounts receivable" (Form 5227, Part IV, line 27, column (b)), "receivables due from officers, directors, and other disqualified persons" (line 28, column (b)), "other notes and loans receivable" (line 29, column (b)), "inventories for sale or use" (line 30, column (b)), and "prepaid expenses and deferred charges" (line 31, column (b)).

[5] Calculated as the sum of "charitable purpose land, buildings, and equipment" (Form 5227, Part IV, line 35, column (b)) and "other assets" (line 36, column (b)).

[6] Taken from Form 5227, Part IV, line 43, column (b).

[7] Includes "loans from officers, directors, trustees, and other disqualified persons" (Form 5227, Part IV, line 40, column (b)), "mortgages and other notes payable" (line 41, column (b)), and "other liabilities" (line 42, column (b)).

NOTE: Detail may not add to totals due to rounding and taxpayer reporting discrepancies.

Split-Interest Trusts, Filing Year 2007

Statistics of Income Bulletin | Winter 2009

Table 4. Charitable Remainder Unitrusts: Income and Deductions, by Size of End-of-Year Book Value of Total Assets, Filing Year 2007

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Item	Total	Size of end-of-year book value of total assets				
		Under \$500,000 [1]	\$500,000 under \$1 million	\$1 million under \$3 million	\$3 million under \$10 million	\$10 million or more
	(1)	(2)	(3)	(4)	(5)	(6)
Number of returns	95,567	65,371	15,806	10,631	2,956	802
Total net income [2]	11,305,480	1,141,355	1,108,716	1,915,413	1,969,969	5,170,027
Net ordinary income [3]	3,091,800	377,546	310,829	489,022	415,622	1,498,781
Total ordinary income [4]	4,180,784	478,290	390,750	601,915	504,407	2,205,422
Interest income	1,100,260	123,747	101,679	164,487	134,361	575,987
Dividends and business income (loss)	2,283,320	286,384	237,802	347,004	286,780	1,125,350
Other income [5]	797,203	68,158	51,270	90,424	83,266	504,085
Total deductions [6]	1,088,985	100,743	79,922	112,894	88,785	706,641
Interest	204,877	732	563	2,554	3,672	197,356
Taxes	6,431	906	831	1,694	1,211	1,789
Other deductions	877,676	99,105	78,528	108,645	83,902	507,496
Net short-term capital gain (loss) [7]	275,391	38,434	22,091	54,171	83,436	77,259
Total short-term capital gain (loss)	417,452	40,187	23,134	57,234	85,421	211,476
Deductions allocable to short-term capital gain (loss)	142,061	1,753	1,042	3,063	1,985	134,217
Net long-term capital gain (loss) [8]	7,838,514	710,471	763,433	1,341,244	1,452,466	3,570,900
Total long-term capital gain (loss) [9]	8,008,377	724,817	775,966	1,360,499	1,462,546	3,684,550
Deductions allocable to long-term capital gain (loss)	169,863	14,345	12,532	19,255	10,080	113,650
Nontaxable income [10]	99,775	14,904	12,363	30,976	18,445	23,087

[1] Includes returns that did not report the end-of-year book value of total assets (Form 5227, Part IV, line 37, column (b)) from the balance sheet, or that reported the amount as zero. Often, these zero amounts are explained by trusts filing a final return.

[2] Calculated as the sum of "net ordinary income" (Form 5227, Part I, line 13), "net short-term capital gains (losses)" (line 16), "net long-term capital gains (losses)" (line 19), and "current tax year nontaxable income" (Part II, line 21(d)).

[3] Taken from "net ordinary income" (Form 5227, Part I, line 13). This amount may not equal "total ordinary income" (line 8) less "total deductions allocable to ordinary income" (line 12) due to taxpayer reporting discrepancies.

[4] Taken from Form 5227, Part I, line 8.

[5] Calculated as the sum of "rents, royalties, partnerships, other estates, and trusts" (Form 5227, Part I, line 4), "farm income or loss" (line 5), "ordinary gain or loss" (line 6), and "other income" (line 7).

[6] Taken from Form 5227, Part I, line 12.

[7] Taken from Form 5227, Part I, line 16.

[8] Taken from Form 5227, Part I, line 19.

[9] Taken from Form 5227, Part I, line 17a.

[10] Taken from Form 5227, Part II, line 21(column d).

NOTE: Detail may not add to totals due to rounding.

Split-Interest Trusts, Filing Year 2007

Statistics of Income Bulletin | Winter 2009

Table 5. Charitable Remainder Unitrusts: Accumulation Information, by Size of End-of-Year Book Value of Total Assets, Filing Year 2007

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Item	Total	Size of end-of-year book value of total assets				
		Under \$500,000 [1]	\$500,000 under \$1 million	\$1 million under \$3 million	\$3 million under \$10 million	\$10 million or more
	(1)	(2)	(3)	(4)	(5)	(6)
Number of returns	95,567	65,371	15,806	10,631	2,956	802
Total accumulations [2]	67,576,745	8,400,802	7,016,096	11,771,303	11,466,924	28,921,620
Net ordinary income	6,338,906	457,956	444,653	705,975	697,190	4,033,132
Net short-term capital gain (loss)	1,898,656	70,335	106,444	218,499	241,479	1,261,900
Net long-term capital gain (loss)	58,871,864	7,805,569	6,417,595	10,694,951	10,409,966	23,543,783
Nontaxable income	467,317	66,941	47,404	151,878	118,288	82,806
Prior-year undistributed income [3]	56,267,684	7,259,447	5,907,379	9,852,310	9,496,954	23,751,594
Net ordinary income	3,247,107	80,410	133,825	216,953	281,568	2,534,351
Net short-term capital gain (loss)	1,447,412	-17,316	64,027	127,202	120,984	1,152,514
Net long-term capital gain (loss)	51,205,624	7,144,316	5,674,486	9,387,253	8,994,559	20,005,009
Nontaxable income	367,542	52,037	35,041	120,902	99,843	59,719
Current year net income [4]	11,305,480	1,141,355	1,108,716	1,915,413	1,969,969	5,170,027
Net ordinary income	3,091,800	377,546	310,829	489,022	415,622	1,498,781
Net short-term capital gain (loss)	275,391	38,434	22,091	54,171	83,436	77,259
Net long-term capital gain (loss)	7,838,514	710,471	763,433	1,341,244	1,452,466	3,570,900
Nontaxable income	99,775	14,904	12,363	30,976	18,445	23,087
Undistributed at end of year [5]	60,661,988	6,533,506	6,210,866	10,581,853	10,415,972	26,919,791
Net ordinary income	4,128,904	104,413	133,967	264,453	327,542	3,298,529
Net short-term capital gain (loss)	1,301,869	31,764	75,872	148,160	171,868	874,205
Net long-term capital gain (loss)	54,805,961	6,340,366	5,961,519	10,028,091	9,806,363	22,669,622
Nontaxable income	425,254	56,963	39,509	141,149	110,199	77,435

[1] Includes returns that did not report the end-of-year book value of total assets (Form 5227, Part IV, line 37, column (b)) from the balance sheet, or that reported the amount as zero. Often, these zero amounts are explained by trusts filing a final return.

[2] Taken from Form 5227, Part II, line 22. This amount may not equal "prior-year undistributed income" (line 20) plus "current year net income" (line 21) due to taxpayer reporting discrepancies.

[3] Taken from Form 5227, Part II, line 20.

[4] Taken from Form 5227, Part II, line 21.

[5] Taken from Form 5227, Part II, line 23.

NOTE: Detail may not add to totals due to rounding.

Split-Interest Trusts, Filing Year 2007

Statistics of Income Bulletin | Winter 2009

Table 6. Charitable Remainder Unitrusts: Book Value Balance Sheet Information, by Size of End-of-Year Book Value of Total Assets, Filing Year 2007

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Item	Total	Size of end-of-year book value of total assets				
		Under \$500,000 [1]	\$500,000 under \$1 million	\$1 million under \$3 million	\$3 million under \$10 million	\$10 million or more
	(1)	(2)	(3)	(4)	(5)	(6)
Number of returns	95,567	65,371	15,806	10,631	2,956	802
Total net assets [2]	86,741,306	11,780,831	11,078,088	16,916,295	14,539,203	32,426,889
Total assets [3]	88,027,337	11,922,531	11,228,332	17,151,081	14,849,566	32,875,828
Cash	1,208,826	193,373	197,163	254,106	253,462	310,722
Savings and temporary cash investments	5,300,956	729,708	645,371	1,195,623	862,643	1,867,609
Receivables due [4]	1,275,188	223,836	140,209	387,217	282,195	241,731
Inventories and prepaid expenses	8,578	* 1,042	* 168	3,712	2,421	1,236
Total investments	78,355,692	10,387,183	9,890,853	14,828,207	13,077,985	30,171,465
Securities	53,545,020	8,368,278	8,343,237	12,213,943	10,208,878	14,410,684
U.S. and State government obligations	5,569,829	522,575	739,668	1,266,978	1,214,710	1,825,898
Corporate stock	40,242,190	6,431,287	6,242,013	9,258,318	7,820,514	10,490,058
Corporate bonds	7,733,001	1,414,417	1,361,556	1,688,647	1,173,654	2,094,727
Land, buildings, and equipment	757,589	91,559	100,331	171,707	221,522	172,471
Other investments	24,053,083	1,927,346	1,447,285	2,442,557	2,647,585	15,588,311
Charitable purpose land, buildings, and equipment	234,242	30,451	* 41,740	88,696	* 41,395	* 31,960
Other assets	1,643,835	356,925	312,824	393,518	329,464	251,105
Total liabilities [5]	1,286,030	141,700	150,243	234,785	310,363	448,939
Accounts payable, accrued expenses, and deferred revenue	263,065	32,249	32,937	64,485	54,368	79,026
Other liabilities [6]	1,022,965	109,450	117,306	170,300	255,995	369,913

* Estimate should be used with caution because of the small number of sample returns on which it is based.

[1] Includes returns that did not report end-of-year book value of total assets (Form 5227, Part IV, line 37, column (b)) from the balance sheet, or that reported the amount as zero. Often, these zero amounts are explained by trusts filing a final return.

[2] Taken from Form 5227, Part IV, line 46, column (b). This is the excess of total assets over total liabilities. This value may deviate from the calculated value of total assets (line 37, column (b)) less total liabilities (line 43, column (b)) due to taxpayer reporting discrepancies.

[3] Taken from Form 5227, Part IV, line 37, column (b).

[4] Calculated as the sum of "accounts receivable" (Form 5227, Part IV, line 27, column (b)), "receivables due from officers, directors, and other disqualified persons" (line 28, column b), and "other notes and loans receivable" (line 29, column (b)).

[5] Taken from Form 5227, Part IV, line 43, column (b).

[6] Includes "loans from officers, directors, trustees, and other disqualified persons" (Form 5227, Part IV, line 40, column (b)), "mortgages and other notes payable" (line 41, column b), and "other liabilities" (line 42, column (b)).

NOTE: Detail may not add to totals due to rounding.

Split-Interest Trusts, Filing Year 2007

Statistics of Income Bulletin | Winter 2009

Table 7. Charitable Remainder Unitrusts: End-of Year Fair Market Value of Assets, by Size of End-of-Year Book Value of Total Assets, Filing Year 2007

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Item	Total	Size of end-of-year book value of total assets				
		Under \$500,000 [1]	\$500,000 under \$1 million	\$1 million under \$3 million	\$3 million under \$10 million	\$10 million or more
	(1)	(2)	(3)	(4)	(5)	(6)
Number of returns	95,567	65,371	15,806	10,631	2,956	802
Total assets	106,425,220	14,824,967	13,029,037	19,743,317	17,525,167	41,302,732
Cash	1,221,277	187,584	210,763	254,595	251,458	316,877
Savings and temporary cash investments	5,278,555	738,709	650,409	1,189,955	855,365	1,844,116
Receivables due [2]	1,238,376	221,103	139,508	368,064	274,315	235,386
Inventories and prepaid expenses	9,959	* 895	* 165	3,661	2,421	2,817
Total investments	96,110,330	13,130,824	11,639,656	17,321,114	15,640,176	38,378,560
Securities	65,077,532	10,377,556	9,855,184	14,307,708	12,285,600	18,251,484
U.S. and State government obligations	5,985,975	563,975	796,729	1,379,431	1,274,557	1,971,283
Corporate stock	51,080,993	8,293,520	7,617,529	11,128,998	9,739,219	14,301,727
Corporate bonds	8,010,564	1,520,061	1,440,926	1,799,280	1,271,823	1,978,474
Land, buildings, and equipment	1,110,825	221,576	175,071	282,457	233,246	198,475
Other investments	29,921,972	2,531,691	1,609,401	2,730,949	3,121,330	19,928,600
Charitable purpose land, buildings, and equipment	324,493	80,345	* 64,285	98,793	* 46,352	* 34,719
Other assets	2,242,211	465,496	324,246	507,133	455,079	490,257

* Estimate should be used with caution because of the small number of sample returns on which it is based.

[1] Includes returns that did not report end-of-year book value of total assets (Form 5227, Part IV, line 37, column (b)) from the balance sheet, or that reported the amount as zero. Often, these zero amounts are explained by trusts filing a final return.

[2] Calculated as the sum of "accounts receivable" (Form 5227, Part IV, line 27), "receivables due from officers, directors, and other disqualified persons" (line 28), and "other notes and loans receivable" (line 29).

NOTE: A end-of-year fair market value of assets breakout is not required to be reported on Form 5227. All dollar amounts given here are projected based on 'fair market value of assets at end of tax year' (Form 5227, line c) as well as other balance sheet data (Part IV) and return attachments, when available. Detail may not add to totals due to rounding.

Split-Interest Trusts, Filing Year 2007

Statistics of Income Bulletin | Winter 2009

Table 8. Charitable Lead Trusts: Book Value Balance Sheet Information, by Size of End-of-Year Book Value of Total Assets, Filing Year 2007

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Item	Total	Size of end-of-year book value of total assets				
		Under \$500,000 [1]	\$500,000 under \$1 million	\$1 million under \$3 million	\$3 million under \$10 million	\$10 million or more
	(1)	(2)	(3)	(4)	(5)	(6)
Number of returns	6,377	2,660	1,385	1,408	644	280
Total net assets [2]	18,093,904	447,124	987,616	2,400,766	3,461,851	10,796,548
Total assets [3]	18,690,926	491,527	1,022,880	2,427,917	3,531,523	11,217,079
Cash	159,452	8,107	30,123	44,607	31,801	44,814
Savings and temporary cash investments	1,258,656	51,277	103,434	149,385	184,525	770,035
Receivables due, inventories, and prepaid expenses [4]	303,090	* 1,001	* 522	39,941	86,552	175,074
Total investments	15,280,687	418,448	887,248	2,131,109	3,205,273	8,638,608
Securities	7,838,081	356,476	681,501	1,642,940	1,908,109	3,249,057
U.S. and State government obligations	733,775	45,190	56,462	122,877	150,023	359,222
Corporate stock	6,403,286	288,762	585,276	1,370,040	1,511,725	2,647,481
Corporate bonds	701,020	22,523	39,762	150,022	246,360	242,353
Other investments [5]	7,442,606	61,972	205,747	488,170	1,297,165	5,389,552
Other assets [6]	1,689,041	12,694	* 1,553	62,874	23,373	1,588,548
Total liabilities [7]	597,022	44,403	35,264	27,152	69,673	420,531

* Estimate should be used with caution because of the small number of sample returns on which it is based.

[1] Includes returns that did not report the end-of-year book value of total assets (Form 5227, Part IV, line 37, column (b)) from the balance sheet, or that reported the amount as zero. Often, these zero amounts are explained by trusts filing a final return.

[2] Taken from Form 5227, Part IV, line 46, column (b). This is the excess of total assets over total liabilities. This value may deviate from the calculated value of total assets (line 37, column (b)) less total liabilities (line 43, column (b)) due to taxpayer reporting discrepancies.

[3] Taken from Form 5227, Part IV, line 37, column (b).

[4] Calculated as the sum of "accounts receivable" (Form 5227, Part IV, line 27, column (b)), "receivables due from officers, directors, and other disqualified persons" (line 28, column (b)), "other notes and loans receivable" (line 29, column (b)), "inventories for sale or use" (line 30, column (b)), and "prepaid expenses and deferred charges" (line 31, column (b)).

[5] Calculated as the sum of "investments—land, buildings, and equipment" (Form 5227, Part IV, line 33, column (b)) and "investments—other" (line 34, column (b)).

[6] Calculated as the sum of "charitable purpose land, buildings, and equipment" (Form 5227, Part IV, line 35, column (b)) and "other assets" (line 36, column (b)).

[7] Taken from Form 5227, Part IV, line 43, column (b).

NOTE: Detail may not add to totals due to rounding.

Split-Interest Trusts, Filing Year 2007

Statistics of Income Bulletin | Winter 2009

Table 9. Pooled Income Funds: Book Value Balance Sheet Information, by Size of End-of-Year Book Value of Total Assets, Filing Year 2007

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Item	Total	Size of end-of-year book value of total assets			
		Under \$1 million [1]	\$1 million under \$3 million	\$3 million under \$10 million	\$10 million or more
	(1)	(2)	(3)	(4)	(5)
Number of returns	1,528	1,281	146	75	26
Total net assets [2]	1,476,493	202,278	237,902	411,530	624,783
Total assets [3]	1,607,555	205,314	240,814	412,841	748,586
Cash	16,211	4,301	1,507	6,070	4,334
Savings and temporary cash investments	93,982	15,275	11,344	18,107	49,256
Total investments	1,459,982	163,636	224,890	388,310	683,146
Securities	1,129,304	143,194	207,524	328,168	450,417
U.S. and State government obligations	193,297	21,523	17,713	46,104	* 107,957
Corporate stock	441,180	45,756	65,101	131,949	198,374
Corporate bonds	494,827	75,915	124,710	150,115	144,087
Other investments [4]	330,678	20,442	17,366	60,142	232,728
Other assets [5]	37,379	22,101	3,073	* 354	* 11,851
Total liabilities [6]	131,062	3,036	2,912	1,311	123,803

* Estimate should be used with caution because of the small number of sample returns on which it is based.

[1] Includes returns that did not report the end-of-year book value of total assets (Form 5227, Part IV, line 37, column (b)) from the balance sheet, or that reported the amount as zero. Often, these zero amounts are explained by funds filing a final return.

[2] Taken from Form 5227, Part IV, line 46, column (b). This is the excess of total assets over total liabilities. This value may deviate from the calculated value of total assets (line 37, column (b)) less total liabilities (line 43, column (b)) due to taxpayer reporting discrepancies.

[3] Taken from Form 5227, Part IV, line 37, column (b).

[4] Calculated as the sum of "investments—land, buildings, and equipment" (Form 5227, Part IV, line 33, column (b)) and "investments—other" (line 34, column (b)).

[5] Calculated as the sum of "accounts receivable" (Form 5227, Part IV, line 27, column (b)), "receivables due from officers, directors, and other disqualified persons" (line 28, column (b)), "other notes and loans receivable" (line 29, column (b)), "inventories for sale or use" (line 30, column (b)), "prepaid expenses and deferred charges" (line 31, column (b)), "charitable purpose land, buildings, and equipment" (Form 5227, Part IV, line 35, column (b)) and "other assets" (line 36, column (b)).

[6] Taken from Form 5227, Part IV, line 43, column (b).

NOTE: Detail may not add to totals due to rounding.

Unrelated Business Income Tax Returns, 2005

by Melissa Ludlum

Gross unrelated business income reported by charitable and other types of tax-exempt organizations increased 14 percent between Tax Years 2004 and 2005, surpassing \$10 billion for the first time. The \$10.8 billion in gross unrelated business income reported for Tax Year 2005 was offset by \$9.6 billion in deductions. The resulting unrelated business taxable income less deficit totaled \$1.2 billion for Tax Year 2005, more than double that reported in the previous tax year.

Because tax-exempt organizations generally operate for charitable or other beneficial purposes, most income that they receive is exempt from tax under the Internal Revenue Code. Tax-exempt organizations are permitted to engage in income-producing activities that are considered to be unrelated to their exempt purposes. However, to prevent potentially unfair competition between tax-exempt organizations and taxable for-profit entities, income derived from these activities is taxable. An organization that receives \$1,000 or more in gross unrelated business income in a tax year is required to file Form 990-T, *Exempt Organization Business Income Tax Return*, which is used to determine the amount of unrelated business taxable income and the associated unrelated business income tax liability.

Figure A shows selected financial statistics from Forms 990-T filed for Tax Years 2004 and 2005. After reducing their gross unrelated business incomes by allowable deductions, only about half of the 40,676 organizations that were required to file Form 990-T reported unrelated business income tax liability for Tax Year 2005. Tax-exempt organizations reported \$543.3 million in unrelated business income tax liability, a 49-percent increase from Tax Year 2004.

Total tax reported on Form 990-T, which comprised the sum of the unrelated business income tax and certain additional taxes, less credits, was \$540.8

Melissa Ludlum is the Chief of the Special Studies Special Projects Section. This article was prepared under the direction of Barry W. Johnson, Chief of the Special Studies Branch.

Figure A

Selected Items from Forms 990-T, Exempt Organization Business Income Tax Returns, Tax Years 2004 and 2005

[Money amounts are in thousands of dollars]

Item	2004	2005	Percentage change
	(1)	(2)	(3)
Number of returns, total	38,040	40,676	6.9
With gross unrelated business income of \$10,000 or less [1]	13,880	15,116	8.9
With gross unrelated business income over \$10,000 [1]	24,160	25,560	5.8
With unrelated business taxable income	18,099	20,387	12.6
Without unrelated business taxable income [2]	19,941	20,289	1.7
Gross unrelated business income	9,492,228	10,849,619	14.3
Total deductions [3]	8,979,863	9,635,921	7.3
Unrelated business taxable income (less deficit)	512,364	1,213,698	136.9
Unrelated business taxable income	1,287,972	2,044,310	58.7
Deficit	775,607	830,612	7.1
Unrelated business income tax	364,615	543,264	49.0
Total tax	367,698	540,819	47.1

[1] Organizations with gross unrelated business income (UBI) between \$1,000 (the filing threshold) and \$10,000 were not required to report itemized expenses and deductions, or to complete return schedules. Those with gross UBI over \$10,000 were required to fill out a more detailed "complete" return.

[2] Includes returns with deficits and returns with equal amounts of gross unrelated business income and total deductions.

[3] Includes both expenses and deductions reported on Form 990-T, lines 13(B), 29, 31, and 33. Excludes cost of sales and services, which was subtracted from gross receipts from sales and services in computing gross profit from sales and services. Gross profit from sales and services is a component of gross unrelated business income (upon which the filing requirement is based). Total cost of sales and services was \$2.8 billion for 2004 and \$3.0 billion for 2005.

NOTES: Detail may not add to totals because of rounding. See the Explanation of Selected Terms section of this article for definitions of gross unrelated business income, total deductions, unrelated business taxable income (less deficit), unrelated business income tax, and total tax.

million. Additional taxes included \$6.2 million of alternative minimum tax, \$5.4 million of "proxy tax" on certain nondeductible lobbying and political expenditures, and \$0.02 million of "other" taxes.¹ To arrive at the total tax amount, total tax credits were subtracted from the sum of unrelated business income tax plus additional taxes. Total tax credits

¹ A membership organization that was tax-exempt under Internal Revenue Code sections 501(c)(4), 501(c)(5), or 501(c)(6) was liable for the proxy tax in cases where it did not notify its members of the entire amount of the shares of their dues that were allocated to the nondeductible lobbying and political expenditures. The proxy tax of \$5.4 million used in the total tax computation includes only proxy tax reported by Form 990-T filers with gross unrelated business income above the \$1,000 filing threshold. Filers that reported gross unrelated business income below the \$1,000 threshold were not eligible for selection into the Statistics of Income (SOI) sample. Therefore, proxy tax reported by organizations that had no unrelated business income or those that had unrelated business income below the filing threshold is not included.

Unrelated Business Income Tax Returns, 2005

Statistics of Income Bulletin | Winter 2009

equaled \$14.0 million for Tax Year 2005, exceeding the amount of additional taxes reported. Tax credits included the foreign tax credit (\$10.7 million), general business credit (\$2.7 million), credit for prior-year minimum tax (\$0.3 million), and "other" credits (\$0.4 million).

Background

The SOI Sample

The data presented in this article are from sampled Forms 990-T filed for Tax Year 2005 by organizations described in Internal Revenue Code sections 220(e), 401(a), 408(e), 408A, 501(c)(2)-(27), 529(a), and 530(a).² Tax Year 2005 includes all accounting periods beginning in Calendar Year 2005 and thus ending between December 2005 and November 2006. Consequently, the returns reflect financial activity that occurred in either Calendar Year 2005 or 2006, or some portion of both (see *Data Sources and Limitations* for further information).

Definition of Unrelated Business Income

Unrelated business income is produced from an activity that is conducted on a regular basis and is not directly related to an organization's tax-exempt mission. Income earned by an organization is treated as unrelated business income if it meets two basic requirements. First, the income is derived from a trade or business that is regularly carried on by the organization. Second, the income is earned from a trade or business that is not substantially related to the performance of the organization's exempt purpose or function. Even if profits from such activities are used by tax-exempt organizations to finance their exempt purposes, income that meets these two requirements generally is treated as unrelated business income. However, certain activities are excluded from taxation, such as business activities in which substantially all of the work is performed by volunteer labor, sales of merchandise that the organization received as a gift or contribution, and the operation

of certain games of chance, as specified in the Internal Revenue Code (see "Gross Unrelated Business Income" in *Explanation of Selected Terms* for additional information).

Filing Requirements and Composition of Tax Year 2005 Filers

A variety of tax-exempt organizations are required to file Form 990-T to report unrelated business income and the associated tax. Figure B details the types of organizations that may be required to file Form 990-T by Internal Revenue Code section, organization, and nature of activities. Charitable organizations, which are tax-exempt under section 501(c)(3), are generally the most common Form 990-T filers.

Most tax-exempt organizations are required to file an annual Form 990, *Return of Organization Exempt From Income Tax*, or Form 990-EZ, *Short Form Return of Organization Exempt From Income Tax* (used by organizations with annual gross receipts of less than \$100,000 and total end-of-year assets of less than \$250,000). Private foundations, which are exempt under section 501(c)(3), file the information return Form 990-PF, *Return of Private Foundation or Section 4947(a)(1) Nonexempt Charitable Trust Treated as a Private Foundation*.³

The composition of Form 990-T filers, by type of tax-exempt organization, type of entity, and size of gross unrelated business income and gross unrelated business taxable income, is shown in Figure C. For Tax Year 2005, charitable organizations represented nearly one-third of Form 990-T filers. Social and recreational clubs exempt under section 501(c)(7), business leagues, chambers of commerce, and other organizations exempt under section 501(c)(6), and traditional Individual Retirement Arrangements (IRAs) exempt under section 408(e) accounted for 16 percent, 15 percent, and 14 percent of all Tax Year 2005 Forms 990-T filed, respectively.

Tax-exempt organizations' unrelated business taxable income is subject to the same tax rates as income reported by for-profit filers. Generally, tax-

² Internal Revenue Code section 501(d) religious and apostolic organizations and farmers' cooperatives report taxes on forms other than Form 990-T.

³ Churches, which are tax-exempt under Internal Revenue Code section 501(c)(3), are not required to apply for exemption unless they desire to obtain an Internal Revenue Service ruling, and they do not have to file a Form 990 information return. However, these churches are required to file Form 990-T if they received \$1,000 or more of gross income from business activities that were considered unrelated to their religious purposes. Charitable remainder trusts, a type of Internal Revenue Code section 4947(a)(2) "split-interest trust," were required to report unrelated business income on Form 1041, Estate and Trust Income Tax Return, rather than Form 990-T, for tax years before 2007. Beginning with Tax Year 2007, charitable remainder trusts were required to report unrelated business income on Form 4720, Return of Certain Excise Taxes on Charities and Other Persons under Chapters 41 and 42 of the Internal Revenue Code. Published statistical reports on charitable and other nonprofit organizations, private foundations, and split-interest trusts are available from the Tax Stats pages of the IRS Web site at <http://www.irs.gov/taxstats>.

Unrelated Business Income Tax Returns, 2005

Statistics of Income Bulletin | Winter 2009

Figure B

Types of Tax-Exempt Organizations Subject to the Unrelated Business Income Tax Provisions, by Internal Revenue Code Section

Code section	Description of organization	General nature of activities
220(e)	Archer Medical Savings Accounts (MSA's)	Fiduciary agent for accounts used in conjunction with high-deductible health insurance plans to save funds for future medical expenses
401(a)	Qualified pension, profit-sharing, or stock bonus plans	Fiduciary agent for pension, profit-sharing, or stock bonus plans
408(e)	Traditional Individual Retirement Accounts (IRA's)	Fiduciary agent for retirement funds
408A	Roth Individual Retirement Accounts (IRA's)	Fiduciary agent for retirement funds; subject to same rules as traditional IRA's, except contributions are not tax deductible and qualified distributions are tax free
501(c)(2)	Title-holding corporations for exempt organizations	Holding title to property for exempt organizations
(3)	Religious, educational, charitable, scientific, or literary organizations; organizations that test for public safety. Also, organizations that prevent cruelty to children or animals, or foster national or international amateur sports competition	Activities of a nature implied by the description of the class of organization
(4)	Civic leagues, social welfare organizations, and local associations of employees	Promotion of community welfare and activities from which net earnings are devoted to charitable, educational, or recreational purposes
(5)	Labor, agricultural, and horticultural organizations	Educational or instructive groups whose purpose is to improve conditions of work, products, and efficiency
(6)	Business leagues, chambers of commerce, real estate boards, and like organizations	Improving conditions in one or more lines of business
(7)	Social and recreational clubs	Pleasure, recreation, and social activities
(8)	Fraternal beneficiary societies and associations	Lodges providing for payment of life, health, accident, or other insurance benefits to members
(9)	Voluntary employees' beneficiary associations (including Federal employees' voluntary beneficiary associations formerly covered by section 501(c)(10))	Providing for payment of life, health, accident, or other insurance benefits to members
(10)	Domestic fraternal beneficiary societies and associations	Lodges, societies, or associations devoting their net earnings to charitable, fraternal, and other specified purposes, without life, health, or accident insurance benefits to members
(11)	Teachers' retirement fund associations	Fiduciary associations providing for payment of retirement benefits

Unrelated Business Income Tax Returns, 2005

Statistics of Income Bulletin | Winter 2009

Figure B—Continued

Types of Tax-Exempt Organizations Subject to the Unrelated Business Income Tax Provisions, by Internal Revenue Code Section—Continued

Code section	Description of organization	General nature of activities
501(c)(12)	Benevolent life insurance associations, mutual ditch or irrigation companies, mutual or cooperative telephone companies, and like organizations	Activities of a mutually beneficial nature implied by the description of the class of organization
(13)	Cemetery companies	Arranging for burials and incidental related activities
(14)	State-chartered credit unions and mutual insurance or reserve funds	Providing loans to members or providing insurance of, or reserve funds for, shares or deposits in certain banks or loan associations
(15)	Mutual insurance companies or associations other than life, if written premiums for the year do not exceed \$350,000	Providing insurance to members, substantially at cost
(16)	Corporations organized to finance crop operations	Financing crop operations in conjunction with activities of a marketing or purchasing association
(17)	Supplemental unemployment benefit trusts	Fiduciary agent for payment of supplemental unemployment compensation benefits
(18)	Employee-funded pension trusts (created before June 25, 1959)	Providing for payments of benefits under a pension plan funded by employees
(19)	Posts or organizations of past or present members of the armed forces	Providing services to veterans or their dependents; advocacy of veteran's issues; and promotion of patriotism and community service programs
(21)	Black Lung Benefit Trusts	Providing funds to satisfy coal mine operators' liability for disability or death due to black lung disease
(22)	Withdrawal liability payment funds	Providing funds to meet the liability of employers withdrawing from a multiple-employer pension fund
(23)	Associations of past and present members of the armed forces founded before 1880	Providing insurance and other benefits to veterans or their dependents
(24)	Trusts described in section 4049 of the Employee Retirement Income Security Act of 1974	Providing funds for employee retirement income
(25)	Title-holding corporations or trusts with no more than 35 shareholders or beneficiaries and only one class of stock or beneficial interest	Acquiring real property and remitting all income earned from such property to one or more exempt organizations; pension, profit-sharing, or stock bonus plans; or governmental units
(26)	State-sponsored high-risk health insurance plans	Providing coverage for medical care on a not-for-profit basis to residents with pre-existing medical conditions that resulted in denied or exorbitantly priced traditional medical care coverage

Unrelated Business Income Tax Returns, 2005

Statistics of Income Bulletin | Winter 2009

Figure B—Continued

Types of Tax-Exempt Organizations Subject to the Unrelated Business Income Tax Provisions, by Internal Revenue Code Section—Continued

Code section	Description of organization	General nature of activities
501(c)(27)	State-sponsored workers' compensation reinsurance plans	Pooled employers' funds providing reimbursements to employees for losses arising under workers' compensation acts; also, State-created, -operated, and -controlled organizations providing workers' compensation insurance to employers
529(a)	Qualified State Tuition Plans	State- and agency-maintained plans that allow individuals to purchase credits or certificates, or make contributions to an account, to pay for future educational expenses
530(a)	Coverdell Education Savings Accounts	Fiduciary agent for accounts created for the purpose of paying qualified higher education expenses of a designated beneficiary

NOTES: Corporations that are organized under an Act of Congress, and are instrumentalities of the United States, described in section 501(c)(1) of the Internal Revenue Code, are not subject to unrelated business income taxation. Prepaid legal service funds, previously described in section 501(c)(20) of the Internal Revenue Code, were no longer tax exempt effective for tax years beginning after June 30, 1992.

exempt trusts pay taxes on their unrelated business incomes at the same rates as estate and trust filers, while all other exempt organizations pay taxes at the corporate rate. Nearly 81 percent of all Tax Year 2005 Forms 990-T were filed by tax-exempt organizations that paid taxes at the corporate rate. Tax-exempt trusts accounted for the additional 19 percent of Forms 990-T filed for the year.

Traditional IRAs, voluntary employees' beneficiary associations, and pension, profit-sharing, and stock bonus plans account for the majority of tax-exempt trusts that file Form 990-T. For Tax Year 2005, these organizations represented 90 percent of all trusts that filed the return. Most other types of Tax Year 2005 Form 990-T filers, including the majority of charitable organizations, were primarily organized as corporations.

The majority of all organizations, 63 percent, that filed Form 990-T for Tax Year 2005 reported gross unrelated business income of \$10,000 or more. Approximately half of all organizations that were required to file Form 990-T reported unrelated business income tax liability after subtracting deductions from gross unrelated business income.

Income Information, by Subsection Code

In addition to comprising 32 percent of Form 990-T filers, charitable organizations accounted for even higher percentages of gross unrelated business income, total unrelated business income tax, and other financial items for Tax Year 2005. Figure D shows various financial items for Tax Year 2005, including gross unrelated business income and its components, the ratio of investment income to gross unrelated business income, total deductions, and unrelated business income tax. Charitable organizations accounted for 56 percent of the \$10.8 billion in gross unrelated business income reported for Tax Year 2005. They claimed 60 percent of total deductions and reported 49 percent of total unrelated business income tax.

Charitable organizations reported 40 percent of total investment income for Tax Year 2005. However, investment income represented only a small percentage, about 20 percent, of gross unrelated business income reported by charitable organizations. Generally, organizations that were organized as tax-exempt trusts derived larger percentages of their gross unrelated business incomes from investments. For example, traditional IRAs reported more than 90

Unrelated Business Income Tax Returns, 2005

Statistics of Income Bulletin | Winter 2009

Figure C

Form 990-T Filers, by Gross Unrelated Business Income, Unrelated Business Taxable Income, Subsection Code, and Type of Organization, Tax Year 2005

Category	Item	Number of returns	Percentage of total
All Forms 990-T	All returns	40,676	100.0
Subsection code	Total	40,676	100.0
	501(c)(3) Religious, educational, charitable, scientific, or literary organizations	13,193	32.4
	501(c)(4) Civic leagues and social welfare organizations	1,569	3.9
	501(c)(5) Labor, agricultural, and horticultural organizations	2,396	5.9
	501(c)(6) Business leagues, chambers of commerce, and real estate boards	6,236	15.3
	501(c)(7) Social and recreational clubs	6,373	15.7
	501(c)(19) War veterans' posts or organizations	1,780	4.4
	408(e) Traditional Individual Retirement Arrangements	5,709	14.0
	Other [1]	3,420	8.4
Type of organization	Total	40,676	100.0
	Corporation	32,893	80.9
	Trust	7,782	19.1
Size of gross unrelated business income	Total	40,676	100.0
	With gross unrelated business income of \$10,000 or less	15,116	37.2
	With gross unrelated business income over \$10,000	25,560	62.8
Unrelated business taxable income	Total	40,676	100.0
	With unrelated business taxable income	20,387	50.1
	Without unrelated business taxable income	20,289	49.9

[1] This category includes organizations described under sections 501(c)(2), 501(c)(8)-(18), 501(c)(21)-(27), as well as Archer medical savings accounts, exempt under section 220(e); qualified pension, profit-sharing, or stock bonus plans, exempt under section 401(a); Roth Individual Retirement Arrangements, exempt under section 408A; state-sponsored health plans, exempt under section 529(a); and Coverdell education savings accounts, exempt under section 530(a). See Appendix A for additional information on the types of organizations that are required to file Form 990-T.

NOTE: Detail may not add to totals because of rounding.

Figure D

Selected Unrelated Business Income Tax Data for Tax-Exempt Organizations, by Subsection Code, Tax Year 2005

[Money amounts are in thousands of dollars]

Item	Subsection Code								
	All	501(c)(3)	501(c)(4)	501(c)(5)	501(c)(6)	501(c)(7)	501(c)(19)	408(e)	Other [1]
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Number of returns	40,676	13,193	1,569	2,396	6,236	6,373	1,780	5,709	3,420
Gross unrelated business income	10,849,619	6,077,866	667,199	286,175	1,157,686	665,598	167,516	59,897	1,767,681
Total investment income [2]	2,851,670	1,144,940	19,446	21,587	70,101	104,689	9,344	55,144	1,426,419
Investment income as a percentage of gross unrelated business income	26.0	19.0	2.9	7.5	6.1	16.0	5.6	92.0	81.0
Total deductions	9,635,921	5,775,389	677,189	287,027	1,073,085	615,773	172,452	13,994	1,021,012
Unrelated business taxable income (less deficit)	1,213,698	302,477	-9,990	-852	84,602	49,826	-4,936	45,903	746,669
Unrelated business taxable income	2,044,310	866,549	20,972	26,743	150,771	89,338	8,295	46,042	835,600
Deficit	830,612	564,072	30,962	27,595	66,170	39,512	13,231	139	88,931
Unrelated business income tax	543,264	267,170	5,636	7,151	44,826	21,902	1,275	12,300	183,005
Total tax	540,819	260,497	5,082	7,151	49,496	20,841	1,273	12,268	184,210

[1] This category includes organizations described under sections 501(c)(2), 501(c)(8)-(18), 501(c)(21)-(27), as well as Archer medical savings accounts, exempt under section 220(e); qualified pension, profit-sharing, or stock bonus plans, exempt under section 401(a); Roth Individual Retirement Arrangements, exempt under section 408A; state-sponsored health plans, exempt under section 529(a); and Coverdell education savings accounts, exempt under section 530(a). See Appendix A for additional information on the types of organizations that are required to file Form 990-T.

[2] Total investment income includes capital gain net income, combined partnership and S corporation income, unrelated debt-financed income, and investment income of Internal Revenue Code section 501(c)(7),(9), and (17) organizations. Other types of tax-exempt organizations' investment income ordinarily is not taxed, unless the investment was purchased with borrowed funds, i.e. debt-financed.

NOTES: Percentages are based on unrounded data. Detail may not add to totals because of rounding.

Unrelated Business Income Tax Returns, 2005

Statistics of Income Bulletin | Winter 2009

percent of their gross unrelated business incomes as investment income.

Income Information, by Organization Type

Figure E further illustrates the differences between tax-exempt trusts and corporate filers. The latter group reported the majority of gross unrelated business income, total deductions, positive unrelated business taxable income, and unrelated business income tax. Corporate filers reported \$9.2 billion in gross unrelated business income, \$8.9 billion in total deductions, and \$336.4 million in unrelated business income tax.

While representing less than one-fifth of Form 990-T filers, trusts reported higher amounts of total investment income and unrelated business taxable income less deficit than their corporate counterparts. Of the \$2.9 billion in investment income received by tax-exempt organizations, more than half was reported by trusts. Overall, trusts reported 93 percent of their gross unrelated business incomes as investment income, compared to 14 percent for corporations. More than 76 percent of unrelated business taxable income less deficit that was reported for Tax Year 2005 was attributable to trusts. They reported approximately 38 percent of total unrelated business income tax for Tax Year 2005.

Summary

Tax-exempt organizations reported more than \$10 billion in gross unrelated business income for Tax Year 2005. Total unrelated business income tax liability increased by 49 percent from Tax Year 2004 to \$543.3 million.

Charitable organizations, tax-exempt under section 501(c)(3), were the most common Form 990-T filers, representing nearly one-third of all organizations that filed the return for Tax Year 2005. These organizations reported 56 percent of all gross unrelated business income for the year, claimed 60 percent of deductions, and accounted for nearly half of all unrelated business income tax liability.

Nearly 83 percent of all Tax Year 2005 Forms 990-T were filed by tax-exempt organizations that paid taxes at the corporate rate, with tax-exempt trusts accounting for the remainder of filers. Corporate filers reported the majority of gross unrelated business income, total deductions, positive unrelated business taxable income, and unrelated business

Figure E

Selected Unrelated Business Income Tax Data for Tax-Exempt Organizations, by Type of Organization, Tax Year 2005

[Money amounts are in thousands of dollars]

Item	Type of organization		
	All	Corporation	Trust
	(1)	(2)	(3)
Number of returns	40,676	32,893	7,782
Gross unrelated business income	10,849,619	9,161,977	1,687,642
Total investment income [1]	2,851,670	1,282,576	1,569,094
Investment income as a percentage of gross unrelated business income ratio	26.0	14.0	93.0
Total deductions	9,635,921	8,874,041	761,880
Unrelated business taxable income (less deficit)	1,213,698	287,936	925,762
Unrelated business taxable income	2,044,310	1,095,751	948,559
Deficit	830,612	807,815	22,797
Unrelated business income tax	543,264	336,405	206,859
Total tax	540,819	332,750	208,069

[1] Total investment income includes capital gain net income, combined partnership and S corporation income, unrelated debt-financed income, and investment income of Internal Revenue Code section 501(c)(7),(9), and (17) organizations. Other types of tax-exempt organizations' investment income ordinarily is not taxed, unless the investment was purchased with borrowed funds, i.e. debt-financed.

NOTES: Percentages are based on unrounded data. Detail may not add to totals because of rounding.

income tax for Tax Year 2005. Tax-exempt trusts accounted for larger proportions of total investment income and net unrelated business income.

Data Sources and Limitations

To report unrelated business income of \$1,000 (the filing threshold) or more for Tax Year 2005, Internal Revenue Code section 220(e), 401(a), 408(e), 408A, and 530(a) trusts' required reporting period was Calendar Year 2005, and the Form 990-T filing deadline was April 15, 2006. For all other organizations, the required reporting period was any accounting period beginning in Calendar Year 2005 and, thus, ending between December 2005 and November 2006 for full-year return filers. The associated required due dates for filing Tax Year 2005 Forms 990-T generally fell between May 2006 to April 2007, but extensions of time to file beyond this period were routinely granted to many organizations. Corresponding to the required filing dates, the Tax Year 2005 study sample was drawn from Forms 990-T processed

Unrelated Business Income Tax Returns, 2005

Statistics of Income Bulletin | Winter 2009

by IRS throughout Calendar Years 2006 and 2007. Because of the various accounting periods of the organizations filing a Tax Year 2005 return, the financial activities covered in this article span the period January 2005 through November 2006, although 59 percent of Form 990-T filers had Calendar Year 2005 accounting periods.

The population from which the Form 990-T sample was drawn consisted of Tax Year 2005 Form 990-T records posted to the IRS Business Master File system during 2006 and 2007. Generally, returns filed after Calendar Year 2007 were not included in the sample. However, in some cases, returns that were considered to be large income-size cases (over \$500,000 or more of gross unrelated business income), were added post-sampling. A sample of 8,507 returns was selected from a population of 40,915. After excluding returns that were selected for the sample but later rejected, the resulting sample size was 8,468 returns, and the estimated population size was 40,676. Rejected returns included those that had gross unrelated business income below the \$1,000 filing threshold; were filed for a part-year 2005 accounting period, and a full-year 2005 return was also filed; or were filed for a part-year accounting period that began in a year other than 2005.

The Tax Year 2005 Statistics of Income (SOI) Form 990-T study incorporated a two-stage sample design consisting of a stratified random sample and a special "integrated" sample. The stratified random sample was designed to represent the entire population of Form 990-T filers reporting unrelated business income. The integrated sample was designed to gather information on "related" (tax-exempt) and "unrelated" (taxable) income and expenses for section 501(c)(3) nonprofit charitable organizations that filed both Form 990 (or Form 990-EZ) and Form 990-T. This integrated sampling program ensured that the SOI sample of Forms 990-T included any unrelated business income tax returns (with gross unrelated business income of \$1,000 or more) filed by organizations whose Form 990 or Form 990-EZ information returns were selected for the separate SOI sample of section 501(c)(3) nonprofit charitable organizations. Organizations exempt under other Code sections were not subjected to the integrated sampling program.

The Form 990-T returns were initially divided into strata, based on gross unrelated business income, and selected using Bernoulli sampling. Section 501(c)(3) returns not selected randomly were then matched to returns in the Forms 990/990-EZ sample. These linked returns, along with any randomly selected Forms 990-T that also had counterparts in the Forms 990/990-EZ sample, formed the "integrated" Internal Revenue Code section 501(c)(3) portion of the Form 990-T sample.

Returns in the Form 990-T sample frame were classified into two-dimensional strata, based on the size of gross unrelated business income in the Form 990-T population and the size of assets in the section 501(c)(3) Form 990/990-EZ population of returns having EINs that matched Form 990-T EINs. The designed sampling rates ranged from a minimum of 3.65 percent to a maximum of 100 percent.

The information presented in this article was obtained from returns as originally filed with the Internal Revenue Service. The amount of total tax liability originally reported on Forms 990-T, as stated in these statistics, may not necessarily be the amount ultimately paid to IRS. Changes in tax liability assessments can be made after the original return is filed, by the taxpayer on an amended return, by the IRS after examination, or by litigation. The data were subjected to comprehensive testing and correction procedures in order to improve statistical reliability and validity. In most cases, due to time constraints, changes made to the original return as a result of administrative processing, audit procedures, or a taxpayer amendment were not incorporated into the database.

Because the data are based on a sample, they are subject to sampling error. In order to use these statistics properly, the magnitude of the sampling error, measured by the coefficient of variation (CV), should be taken into account. Figure F shows CVs for selected financial data estimates derived from the Form 990-T stratified random sample. A discussion of the reliability of estimates based on samples and methods for evaluating both the magnitude of sampling and nonsampling error and the precision of sample estimates can be found in *SOI Sampling Methodology and Data Limitations*, located near the back of this issue of the *SOI Bulletin*.

Unrelated Business Income Tax Returns, 2005

Statistics of Income Bulletin | Winter 2009

Figure F

Coefficients of Variation for Selected Form 990-T Items, by Size of Gross Unrelated Business Income, Tax Year 2005

Size of gross unrelated business income	Number of returns	Gross unrelated business income	Total deductions	Unrelated business taxable income [1]	Total tax
Coefficient of variation (percentage)					
	(1)	(2)	(3)	(4)	(5)
Total	0.16	0.13	0.23	0.48	0.57
\$1,000 under \$10,001 [2]	1.97	3.32	8.43	6.27	6.95
\$10,001 under \$100,000 [2]	2.15	1.81	2.69	5.31	6.47
\$100,000 under \$500,000	1.19	0.94	1.19	3.18	4.16
\$500,000 or more	N/A	N/A	N/A	N/A	N/A

N/A—Not applicable because the achieved sample rate was 100 percent.

[1] Includes data from returns with positive amounts of unrelated business taxable income only.

[2] Organizations with gross unrelated business income (UBI) between \$1,000 (the filing threshold) and \$10,000 were not required to report itemized expenses and deductions, or to complete return schedules. Those with gross UBI over \$10,000 were required to fill out a more detailed "complete" return.

Explanation of Selected Terms

This section provides definitions to help the reader understand the terms contained in the article and in Tables 1 through 7 at the end of the article. In some of the following explanations, tax-exempt organizations are cited by the Internal Revenue Code section under which they are described. The various types of tax-exempt organizations subject to the unrelated business income tax provisions are described by Code section in the Appendix to this article.

Advertising income—Gross income realized by a tax-exempt organization from the sale of advertising in a periodical was gross income from an unrelated trade or business activity involving the "exploitation of an exempt activity," namely, the circulation and subscriber base of the periodical developed by producing and distributing the mission-related content of that periodical. Advertising income was reported separately from other types of "exploited exempt activity income." (See the explanation of Exploited Exempt Activity Income.) Internal Revenue Code section 501(c)(7), (9), and (17) organizations reported gross advertising income, as well as other types of "exploited exempt activity income," as part of gross receipts from sales and services. All other organizations reported this income separately.

Capital gain net income—Generally, organizations required to file Form 990-T (except organizations tax-exempt under Internal Revenue Code sections 501(c)(7), (9), and (17)) were not taxed on net gains from the sale, exchange, or other disposi-

tion of property. However, capital gain net income on sales of debt-financed property, certain gains on the cutting of timber (section 1231), and gains on sales of certain depreciable property (described in Internal Revenue Code sections 1245, 1250, 1252, 1254, and 1255) were considered taxable. Also, any gain or loss passed through from a partnership or S corporation, or any gain or loss on the disposition of S corporation stock by a "qualified tax-exempt" (defined in the explanation of Income (Less Loss) from Partnerships and S Corporations), was taxed as a capital gain or loss. (See the explanation of Investment Income (Less Loss) for information regarding investment income of section 501(c)(7), (9), and (17) organizations.)

Charitable contributions—To the extent permissible under the Internal Revenue Code, a deduction was allowed for contributions or gifts actually paid within the tax year to, or for the use of, another entity that was a charitable or Governmental organization described in Code section 170(c). A tax-exempt corporation was allowed a deduction for charitable contributions up to 10 percent of its unrelated business taxable income (UBTI) computed without regard to the deduction for contributions. A tax-exempt trust was generally allowed a deduction for charitable contributions under the rules applicable to individual taxpayers, except that the limit on the deduction was determined in relation to UBTI computed without regard to the contributions deduction, rather than in relation to adjusted gross income. Contributions in excess of the respective corporate or trust limita-

Unrelated Business Income Tax Returns, 2005

Statistics of Income Bulletin | Winter 2009

tions may be carried over to the next 5 taxable years, subject to certain rules. The contributions deduction was allowed whether or not the donated income was directly connected with the carrying on of a trade or business.

Cost of sales and services—Cost of sales and services may have included depreciation, salaries and wages, and certain other types of deductible items. For this reason, the total amount shown for some of the separately reported components of total deductions, such as "salaries and wages," may be understated. Cost of sales and services was subtracted from gross receipts from sales and services in computing gross profit (less loss) from sales and services, which is a component of gross unrelated business income.

Deductions directly connected with unrelated business income—These were deductions allowed in computing net income, if they otherwise qualified as income tax deductions under the Internal Revenue Code and if they had a "proximate and primary" relationship to carrying on an unrelated trade or business. Allowable deductions included those allocable to rental of personal property; those allocable to unrelated debt-financed income; those allocable to investment income of Internal Revenue Code section 501(c)(7), (9), and (17) organizations; those allocable to interest, annuities, royalties, and rents received from "controlled organizations" (see definition of Income from Controlled Organizations); those allocable to "exploited exempt activity income" other than advertising; direct advertising costs; compensation of officers, directors, and trustees; salaries and wages; repairs and maintenance; bad debts; interest; taxes and licenses; depreciation (unless deducted elsewhere); depletion; contributions to deferred compensation plans; contributions to employee benefit plans; the "net operating loss deduction"; and "other deductions." Tax-exempt organizations with gross unrelated business income above \$10,000 were required to report each deduction component separately. Organizations with gross unrelated business income between \$1,000 (the filing threshold) and \$10,000 reported a single total of the first five types of directly connected expenses listed above (those described as "allocable to") and a single total for all other types of deductions (both deductions directly connected with unrelated business income and those not directly connected, each defined elsewhere in

this section), except for two items that were required to be reported separately: the "net operating loss deduction" (directly connected) and the "specific deduction" (not directly connected), both also defined below.

Deductions not directly connected with unrelated business income—The component deductions were "set-asides," "excess exempt expenses," charitable contributions, and the "specific deduction." The specific deduction was reported, when applicable, by all organizations with positive taxable income; the other types of deductions not directly connected with unrelated business income were reported separately, when applicable, only by tax-exempt organizations with gross unrelated business income above \$10,000. (See, also, the explanations of Set-Asides, Excess Exempt Expenses, Contributions, and the Specific Deduction.)

Excess exempt expenses—The two types of "excess" expenses allowed as deductions from unrelated business income were (1) excess exempt expenses attributable to commercial exploitation of exempt activities, and (2) excess exempt expenses attributable to advertising income. In the case of "exploited" exempt activity income (see the explanation of Exploited Exempt Activity Income, Except Advertising, below), if the expenses of the organization's exempt activity exceeded income from the exempt activity, then the excess expenses could be used to offset any positive net unrelated business income produced from exploiting the exempt activity, to the extent that it did not result in a loss. Excess expenses of one type of commercially exploited exempt activity could not be used to offset income from another type of unrelated business activity, unless both types commercially exploited the same exempt activity. In the case of excess exempt expenses attributable to advertising income, if the expenses attributable to producing and distributing the readership content of a periodical exceeded the circulation income, then the excess of readership costs over circulation income could be used to offset any net gain from advertising (gross advertising income less direct advertising costs), to the extent that it did not result in a loss.

Exploited exempt activity income, except advertising—In some cases, exempt activities create goodwill or other intangibles that are capable of being exploited in a commercial manner. When an organization exploited such an intangible in com-

Unrelated Business Income Tax Returns, 2005

Statistics of Income Bulletin | Winter 2009

mercial activities that did not contribute importantly to the accomplishment of an exempt purpose, the income it produced was gross income from an unrelated trade or business. An example of this type of activity would be an exempt scientific organization with an excellent reputation in the field of biological research that exploits its reputation regularly by selling endorsements of laboratory equipment to manufacturers. Endorsing laboratory equipment would not have contributed importantly to the accomplishment of any purpose for which tax exemption was granted to the organization. Accordingly, the income from selling such endorsements is gross unrelated business income. Exploited exempt activity income from advertising was reported separately from other types of exploited exempt activity income (see the explanation of Advertising Income). Internal Revenue Code section 501(c)(7), (9), and (17) organizations reported income from exploited exempt activities as part of gross receipts from sales and services. All other organizations reported this income separately.

Gross profit (less loss) from sales and services—This was the gross profit (less loss) from any unrelated trade or business regularly carried on that involved the sale of goods or performance of services. Gross profit (less loss) from sales and services is computed as gross receipts from sales or services, less returns and allowances, minus cost of sales and services.

Gross unrelated business income—This was the total gross unrelated business income prior to reduction by allowable deductions used in computing unrelated business taxable income. All organizations were required to report detailed sources of gross unrelated business income. The components of gross unrelated business income were gross profit (less loss) from sales and services; capital gain net income; net gain (less loss) from sales of noncapital assets; net capital loss deduction (trusts only); income (less loss) from partnerships and S corporations; rental income; unrelated debt-financed income; investment income (less loss) of Internal Revenue Code section 501(c)(7), (9), and (17) organizations; income (annuities, interest, rents, and royalties) from controlled organizations; "exploited exempt activity" income, except advertising; advertising income; and "other" income (less loss). (For an explanation of these sources of income, see the separate explanations of each component.)

A tax-exempt organization's income was treated as unrelated business income if it was from a trade or business that was regularly carried on by the organization and that was not substantially related to the performance of the organization's exempt purpose or function (other than that the organization needed the profits derived from the unrelated activity). The term "trade or business" generally comprised any activities carried on for the production of income from selling goods or performing services. These activities did not lose their identity as trades or businesses merely because they were carried on within a larger aggregate of similar activities or within a larger complex of other endeavors that may, or may not, have been related to the exempt purposes of the organization. Soliciting, selling, or publishing commercial advertising, for example, is identified as a trade or business, even though the advertising is published in an exempt organization's periodical that contains editorial material that is related to the organization's exempt purpose.

Income from controlled organizations—When an exempt organization controlled another organization, the entire amount of gross annuities, interest, rents, and royalties (termed "specified payments") received from the controlled organization were included in the gross unrelated business income of the controlling organization. They were included only to the extent that the specified payments were claimed as a deduction from the controlled organization's own unrelated business income (in the case of an exempt controlled organization) or the "equivalent" of unrelated business income (in the case of a nonexempt controlled organization). The equivalent of unrelated business income was computed as if the nonexempt controlled organization were exempt and had the same exempt purpose as the controlling organization. "Control" meant: (a) for a stock corporation, the ownership (by vote or value) of more than 50 percent of the stock; (b) for a partnership, ownership of more than 50 percent of the profits or capital interests; or (c) for any other organization, ownership of more than 50 percent of the beneficial interests. All deductions "directly connected" with a Form 990-T filer's gross controlled-organization income were allowed. The rules for debt-financed property did not apply to passive income (generally, investment income) from controlled organizations. (See the explanation of Unrelated Debt-Financed Income.)

Unrelated Business Income Tax Returns, 2005

Statistics of Income Bulletin | Winter 2009

Income (less loss) from partnerships and S corporations—If an organization was a partner in any partnership that carried on an unrelated trade or business, this income item included the organization's share of partnership gross unrelated business income less its share of partnership deductions that were directly connected with the unrelated income. If an organization was a "qualified tax-exempt" that held stock in an S corporation, this income item included the income or loss from the stock interest. The stock interest was treated as an unrelated trade or business, and all items of income, loss, or deduction were taken into account in computing unrelated business taxable income. A "qualified tax-exempt" was an organization described in Internal Revenue Code section 401(a) (qualified stock bonus, pension, or profit-sharing plan) or section 501(c)(3), and exempt from tax under section 501(a).

Investment income (less loss)—This income was reported only by organizations exempt under Internal Revenue Code sections 501(c)(7), (9), and (17) and included such income as gross unrelated debt-financed income, gross income from the ownership or sale of securities, and set-asides deducted from investment income in previous years that were subsequently used for a purpose other than that for which a deduction was allowed. (See, also, the explanation of Set-Asides.) All gross rents (except those that were exempt-function income) from investment property of section 501(c)(7), (9), and (17) organizations were treated as unrelated business income and were reported as "rental income." Organizations exempt under sections other than 501(c)(7), (9), and (17) did not report "investment income (less loss)." Generally, these organizations' investment income (dividends, interest, rents, and annuities) and royalty income were not taxed as unrelated business income, unless it was income, other than dividends, from a controlled organization or debt-financed income, or the rents were of the type described in the explanation of rental income. (See the explanations of Income from Controlled Organizations, Rental Income, and Unrelated Debt-Financed Income.)

Net capital loss (trusts only)—If a trust had a net loss from sales or exchanges of capital assets, it was allowed a deduction for the amount of the net loss or \$3,000, whichever was lower. (Tax-exempt corporations were not allowed to deduct any excesses of capital losses over capital gains.) Tax-exempt

trusts reported the net capital loss deduction on Form 990-T as a component of gross unrelated business income, and it was subtracted when computing total gross unrelated business income.

Net gain (less loss), Sales of Noncapital Assets—This was the gain or loss from the sale or exchange of business property, as reported on Form 4797, *Sales of Business Property*. Property other than capital assets generally included property of a business nature, in contrast to personal and investment properties, which were capital assets.

Net operating loss deduction—The net operating loss carryover or carryback (as described in Internal Revenue Code section 172) was allowed as a deduction (limited to the current-year excess of receipts over deductions, prior to applying the net operating loss deduction) in computing unrelated business taxable income. However, the net operating loss carryover or carryback (allowed only to or from a tax year for which the organization was subject to tax on unrelated business income) was determined without taking into account any amount of exempt-function income or deductions that had been excluded from the computation of unrelated business taxable income. A "net operating loss" represented the excess of deductions over receipts for a specified year for which an organization reported an overall deficit from its unrelated trade or business activities. The net operating loss deduction statistics in this article represent only net operating loss carryovers from prior years because carrybacks from future years would be reported in a later year on an amended return, not on the return as initially filed (which served as the basis for the statistics).

Other deductions—These included all types of unrelated business deductions that were not specifically required to be reported elsewhere on the tax return. Examples are fees for accounting, legal, consulting, or financial management services; insurance costs (if not for employee-related benefits); equipment costs; mailing costs; office expenses, such as janitorial services, supplies, or security services; rent; travel expenses; educational expenses; and utilities.

Other income (less loss)—This included all types of unrelated business income that were not specifically required to be reported elsewhere on the tax return. Examples are insurance benefit fees; member support fees; commissions; returned contributions that were deducted in prior years; income from insur-

Unrelated Business Income Tax Returns, 2005

Statistics of Income Bulletin | Winter 2009

ance activities that was not properly set aside in prior years; recoveries of bad debts; and refunds of State or local government tax payments, if the payments were previously reported as a deduction.

Proxy tax—This was a tax on certain nondeductible lobbying and political expenditures. A membership organization that was tax-exempt under Internal Revenue Code sections 501(c)(4), 501(c)(5), or 501(c)(6) was liable for the proxy tax if the organization did not notify its members of the shares of their dues that were allocated to the nondeductible lobbying and political expenditures, or if the notice did not include the entire amount of dues that was allocated. The proxy tax was computed as 35 percent of the aggregate amount of nondeductible lobbying expenditures that was not included in the notices sent to the organization's members. The proxy tax was required to be reported on Form 990-T and was included in total tax; however, there was no connection between the proxy tax and the taxation of income from an organization's unrelated business activities.

Rental income—For organizations tax-exempt under Internal Revenue Code sections other than 501(c)(7), (9), and (17), this was the amount of (1) gross rents from personal property (e.g., computer equipment or furniture) leased with real property, if the rental income from the personal property was more than 10 percent, but not more than 50 percent, of the total rents from all leased property; or (2) gross rents from both real property and personal property leased with real property if the personal property was more than 50 percent of the total rents from all leased property. Except for the second situation described above, gross rents from real property were generally excluded in computing unrelated business taxable income. In addition, gross rents from personal property that did not exceed 10 percent of the total rents from all leased property were not included in gross unrelated business income. Any rents not covered by the explanation of "rental income" had to be considered in terms of their taxability as unrelated business income from controlled organizations or unrelated debt-financed income, in that order. For organizations tax-exempt under sections 501(c)(7), (9), and (17), rental income included all gross rents (except those that were exempt-function income), with no exclusions. (See the explanations of Income from Controlled Organizations and Unrelated Debt-Financed Income.)

Set-asides—This deduction from investment income was allowed to social and recreational clubs (Internal Revenue Code section 501(c)(7)), voluntary employees' beneficiary associations (section 501(c)(9)), and supplemental unemployment benefit trusts (section 501(c)(17)). The deduction was equal to the amount of passive income (generally, investment income) that these organizations set aside (1) to be used for charitable purposes or (2) to provide payment of life, health, accident, or other insurance benefits (section 501(c)(9) and (17) organizations only). However, any amounts set aside that exceeded the "qualified asset account" limit, as figured under section 419A, were not allowed as a deduction from unrelated business investment income; they were treated as taxable investment income. A section 419A qualified asset account is any account consisting of assets set aside to provide for the payment of disability benefits, medical benefits, severance pay benefits, or life insurance benefits.

Specific deduction—The specific deduction was \$1,000 or the amount of positive taxable income, whichever was less. The amount deducted was considered "not directly connected" with gross unrelated business income and was allowed to all organizations that had positive taxable income after all other types of deductions were taken. This deduction provided the equivalent benefit of the \$1,000 gross unrelated business income filing threshold under which some organizations were exempted from filing a return and paying the unrelated business income tax. (See, also, the explanation of Deductions Not Directly Connected With Unrelated Business Income.)

Total deductions—Total deductions included both deductions reported on the main part of Form 990-T and expense items reported on any of six supporting schedules, which were also part of the tax form. They excluded cost of sales and services, which was subtracted from gross receipts from sales and services in computing gross profit (less loss) from sales and services, which is a component of gross unrelated business income. (See the explanation of Cost of Sales and Services.)

Total tax—Total tax was unrelated business income tax less the foreign tax credit, general business credit, credit for prior-year minimum tax, and other allowable credits, plus the "proxy tax" on certain lobbying and political expenditures, the "alternative minimum tax," and "other" taxes.

Unrelated Business Income Tax Returns, 2005

Statistics of Income Bulletin | Winter 2009

Unrelated business activity—A business activity is considered unrelated if it does not contribute importantly (other than the production of funds) to accomplishing an organization's charitable, educational, or other purpose that is the basis for the organization's tax exemption. In determining whether activities contribute importantly to the accomplishment of an exempt purpose, the size, extent, and nature of the activities involved must be considered in relation to the size, extent, and nature of the exempt function that they intend to serve. To the extent an activity is conducted on a scale larger than is reasonably necessary to perform an exempt purpose, it does not contribute importantly to the accomplishment of the exempt purpose. The part of the activity that is more than needed to accomplish the exempt purpose is an unrelated trade or business. Whether an activity contributes importantly depends in each case on the facts involved. See IRS Publication 598, *Tax on Unrelated Business Income of Exempt Organizations*, for additional information on unrelated business income and tax.

The following is a case example from Publication 598. An American folk art museum operates a shop in the museum that sells reproductions of works in the museum's own collection and also works from the collections of other art museums. In addition, the museum sells souvenir items of the city where the museum is located. The sale of the reproductions, regardless of which museum houses the original works, is considered to be "related" because it contributes importantly to the achievement of the museum's exempt educational purpose by making works of art familiar to a broader segment of the public, thereby enhancing the public's understanding and appreciation of art. However, the sale of souvenir items depicting the city in which the museum is located is considered to be "unrelated" because it has no causal relationship to art or to artistic endeavor, and, therefore, does not contribute importantly to the accomplishment of the museum's exempt educational purposes.

Unrelated business income—See the explanation of Gross Unrelated Business Income.

Unrelated business income tax—This was the tax imposed on unrelated business taxable income. It was determined based on the regular corporate or trust income tax rates that were in effect for Tax Year 2005, as shown in the following schedules. Trusts

that were eligible for the maximum 28-percent tax rate on capital gain net income figured their tax based on Schedule D of Form 1041, *U.S. Income Tax Return for Estates and Trusts*.

Tax Rates for Corporations

Amount of unrelated business taxable income is:

Over—	But not over—	Tax is:	Of the amount over—
\$ 0	\$50,000	15%	\$0
50,000	75,000	\$7,500 + 25%	50,000
75,000	100,000	13,750 + 34%	75,000
100,000	335,000	22,250 + 39%	100,000
335,000	10,000,000	113,900 + 34%	335,000
10,000,000	15,000,000	3,400,000 + 35%	10,000,000
15,000,000	18,333,333	5,150,000 + 38%	15,000,000
18,333,333	0	35%	0

Tax Rates for Trusts

Amount of unrelated business taxable income is:

Over—	But not over—	Tax is:	Of the amount over—
\$ 0	\$2,000	15%	\$0
2,000	4,700	\$292.50 + 25%	2,000
4,700	7,150	955 + 28%	4,700
7,150	9,750	1,627 + 33%	7,150
9,750	0	2,468.50 + 35%	9,750

Unrelated business taxable income (less deficit)—This was gross income derived from any unrelated trade or business regularly carried on by an exempt organization, less deductions directly connected with carrying on the trade or business and less other allowable deductions not directly connected. On a return-by-return basis, the result of this computation was either positive (unrelated business taxable income), negative (deficit), or zero. Taxable income was subject to the unrelated business income tax. (See, also, the explanations of Deductions Directly Connected with Unrelated Business Income and Deductions Not Directly Connected with Unrelated Business Income.)

Unrelated Business Income Tax Returns, 2005

Statistics of Income Bulletin | Winter 2009

Unrelated debt-financed income—Gross income from investment property for which acquisition indebtedness was outstanding at any time during the tax year was subject to the unrelated business income tax. The percentage of investment income to be included as gross unrelated business income was proportional to the ratio of average acquisition indebtedness to the average adjusted basis of the property. Various types of passive income (generally, investment income) were considered to be unrelated debt-financed income, but only if the income arose from property acquired or improved with borrowed funds and if the production of income was unrelated to the organization's tax-exempt purpose. When any property held for the production of income by an organization was disposed of at a gain during the tax year,

and there was acquisition indebtedness outstanding at any time during the 12-month period prior to the date of disposition, the property was considered debt-financed property, and the gain was treated as unrelated debt-financed income. Income from debt-financed property did not include rents from personal property (e.g., computers or furniture) leased with real property, certain passive income (generally, investment income) from controlled organizations, and other amounts that were otherwise included in computing unrelated business taxable income. Internal Revenue Code section 501(c)(7), (9), and (17) organizations reported all debt-financed income as "Investment Income (Less Loss)." All other organizations reported debt-financed income separately.

Unrelated Business Income Tax Returns, 2005

Statistics of Income Bulletin | Winter 2009

Table 1. Number of Returns, Gross Unrelated Business Income (UBI), Total Deductions, Unrelated Business Taxable Income (Less Deficit), Unrelated Business Taxable Income, and Total Tax, by Type of Tax-Exempt Organization, Tax Year 2005

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Type of tax-exempt organization, as defined by Internal Revenue Code section	Number of returns	Gross unrelated business income (UBI)	Total deductions [1, 2]		Unrelated business taxable income (less deficit) [3]		Unrelated business taxable income [4]		Total tax [5]	
			Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
All organizations	40,676	10,849,619	40,514	9,635,921	32,699	1,213,698	20,387	2,044,310	20,360	540,819
220(e) Archer Medical Savings Accounts	0	0	0	0	0	0	0	0	0	0
401(a) Qualified pension, profit-sharing, or stock bonus plans	607	376,283	549	153,694	552	222,589	546	225,558	547	56,832
408(e) Traditional Individual Retirement Arrangements	5,709	59,897	5,703	13,994	5,569	45,903	5,440	46,042	5,394	12,268
408(A) Roth Individual Retirement Arrangements	* 40	* 3,068	* 39	* 1,768	* 40	* 1,301	* 40	* 1,301	* 40	* 387
501(c)(2) Title-holding corporations for exempt organizations [6]	309	118,937	309	134,516	281	-15,579	129	17,542	129	5,694
501(c)(3) Religious, educational, charitable, scientific, or literary organizations	13,193	6,077,866	13,162	5,775,389	10,421	302,477	5,317	866,549	5,357	260,497
501(c)(4) Civic leagues and social welfare organizations	1,569	667,199	1,569	677,189	1,028	-9,990	415	20,972	404	5,082
501(c)(5) Labor, agricultural, and horticultural organizations	2,396	286,175	2,396	287,027	1,908	-852	809	26,743	809	7,151
501(c)(6) Business leagues, chambers of commerce, and real estate boards	6,236	1,157,686	6,236	1,073,085	4,239	84,602	2,064	150,771	2,169	49,496
501(c)(7) Social and recreational clubs	6,373	665,598	6,338	615,773	5,287	49,826	4,001	89,338	3,895	20,841
501(c)(8) Fraternal beneficiary societies and associations	834	58,788	834	61,399	720	-2,610	310	2,679	311	452
501(c)(9) Voluntary employees' beneficiary associations	716	993,197	714	442,930	442	550,267	370	563,465	370	113,290
501(c)(10) Domestic fraternal beneficiary societies and associations	397	29,057	397	29,822	252	-765	73	1,291	73	265
501(c)(11) Teachers' retirement fund associations	d	d	d	d	d	d	d	d	d	d
501(c)(12) Benevolent life insurance associations and certain mutual companies	237	75,412	237	74,835	214	577	96	8,703	96	2,649
501(c)(13) Cemetery companies	48	3,478	48	2,581	42	897	37	1,197	37	282
501(c)(14) State-chartered credit unions	166	93,800	166	108,457	162	-14,656	101	9,080	95	2,752
501(c)(15) Mutual insurance companies	0	0	0	0	0	0	0	0	0	0
501(c)(16) Corporations organized to finance crop operations	0	0	0	0	0	0	0	0	0	0
501(c)(17) Supplemental unemployment benefit trusts	0	0	0	0	0	0	0	0	0	0
501(c)(18) Employee-funded pension trusts	* 7	* 7,173	* 7	* 2,724	* 7	* 4,449	* 7	* 4,449	* 7	* 1,548
501(c)(19) War veterans' posts or organizations	1,780	167,516	1,752	172,452	1,505	-4,936	604	8,295	598	1,273
501(c)(21) Black Lung Benefit Trusts [7]	0	0	0	0	0	0	0	0	0	0
501(c)(22) Withdrawal liability payment funds	28	35	28	35	0	0	0	0	0	0
501(c)(23) Veterans' associations founded before 1880	0	0	0	0	0	0	0	0	0	0

Footnotes at end of table.

Unrelated Business Income Tax Returns, 2005

Statistics of Income Bulletin | Winter 2009

Table 1. Number of Returns, Gross Unrelated Business Income (UBI), Total Deductions, Unrelated Business Taxable Income (Less Deficit), Unrelated Business Taxable Income, and Total Tax, by Type of Tax-Exempt Organization, Tax Year 2005—Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Type of tax-exempt organization, as defined by Internal Revenue Code section	Number of returns	Gross unrelated business income (UBI)	Total deductions [1, 2]		Unrelated business taxable income (less deficit) [3]		Unrelated business taxable income [4]		Total tax [5]	
			Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
501(c)(24) Trusts described in section 4049 of ERIISA	0	0	0	0	0	0	0	0	0	0
501(c)(25) Title-holding companies with no more than 35 shareholders	d	d	d	d	d	d	d	d	d	d
501(c)(26) High-risk health insurance plans	0	0	0	0	0	0	0	0	0	0
501(c)(27) Workers' compensation reinsurance plans	d	d	d	d	d	d	d	d	d	d
529(a) Qualified State Tuition Plans	d	d	d	d	d	d	d	d	d	d
530(a) Coverdell Education Savings Accounts	0	0	0	0	0	0	0	0	0	0

* Estimate should be used with caution because of the small number of sample returns on which it is based.

d—Data deleted to avoid disclosure of information for specific taxpayers. However, data are included in the appropriate totals.

[1] Excludes cost of sales and services, which was subtracted from gross receipts from sales and services in computing gross profit from sales and services. Gross profit from sales and services was a component of gross unrelated business income (UBI). Cost of sales and services can include amounts attributable to depreciation, salaries and wages, and certain other deductible items. For all exempt organizations reporting gross UBI, cost of sales and services was \$3.0 billion.

[2] Includes both expenses and deductions reported on Form 990-T, lines 13(B), 29, 31, and 33.

[3] Excludes data from 7,977 returns with equal amounts of gross UBI and total deductions.

[4] Includes data from returns with positive amounts of unrelated business taxable income only.

[5] Total tax is the regular unrelated business income tax after reduction by any tax credits (foreign tax credit, general business credit, prior-year minimum tax credit, and other allowable credits), plus the "alternative minimum tax," the "proxy" tax on nondeductible lobbying and political expenditures, and "other" taxes. The proxy tax was reported on Form 990-T and was included in total tax, but it had no connection to the tax on unrelated business income or an organization's involvement in unrelated business activities. For exempt organizations reporting gross UBI above the \$1,000 filing threshold, total proxy tax was \$5.4 million.

[6] Corporations that are organized under an Act of Congress and are instrumentalities of the United States, described in section 501(c)(1) of the Internal Revenue Code, are not subject to unrelated business income taxation.

[7] Prepaid legal service funds, previously described in section 501(c)(20) of the Internal Revenue Code, were no longer tax-exempt, beginning with tax years after June 30, 1992. Therefore, these organizations are not listed in this table.

NOTE: Detail may not add to totals because of rounding. For more complete descriptions of the types of tax-exempt organizations filing Form 990-T, by the Internal Revenue Code section describing them, see the Appendix to the most recent Unrelated Business Income Tax (UBIT) article listed under Publications and Papers on the Exempt Organizations' UBIT Statistics page of the IRS website (<http://www.irs.gov/taxstats/charitablestats/article/0,,id=97210,00.html>).

Unrelated Business Income Tax Returns, 2005

Statistics of Income Bulletin | Winter 2009

Table 2. Number of Returns, Gross Unrelated Business Income (UBI), Total Deductions, Unrelated Business Taxable Income (Less Deficit), Unrelated Business Taxable Income, and Total Tax, by Size of Gross UBI, Tax Year 2005

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Size of gross unrelated business income (UBI)	Number of returns	Gross unrelated business income (UBI)	Total deductions [1,2]		Unrelated business taxable income (less deficit) [3]		Unrelated business taxable income [4]		Total tax [5]	
			Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Total	40,676	10,849,619	40,514	9,635,921	32,699	1,213,698	20,387	2,044,310	20,360	540,819
\$1,000 under \$10,001 [6]	15,116	61,732	15,030	60,228	12,262	1,504	9,536	20,695	9,529	3,495
\$10,001 under \$100,000 [6]	14,336	535,435	14,284	522,583	11,510	12,852	6,219	107,261	6,172	20,201
\$100,000 under \$500,000	8,302	1,795,803	8,280	1,765,073	6,641	30,730	3,392	255,273	3,371	68,287
\$500,000 under \$1,000,000	1,317	923,265	1,315	883,579	1,030	39,685	597	136,160	607	40,914
\$1,000,000 under \$5,000,000	1,276	2,636,190	1,276	2,456,176	996	180,015	499	390,985	520	115,985
\$5,000,000 or more	329	4,897,194	329	3,948,282	260	948,912	144	1,133,935	161	291,937

[1] Excludes cost of sales and services, which was subtracted from gross receipts from sales and services in computing gross profit from sales and services. Gross profit from sales and services was a component of gross unrelated business income (UBI). Cost of sales and services can include amounts attributable to depreciation, salaries and wages, and certain other deductible items. For all exempt organizations reporting gross UBI, cost of sales and services was \$3.0 billion.

[2] Includes both expenses and deductions reported on Form 990-T, lines 13(B), 29, 31, and 33.

[3] Excludes data from 7,977 returns with equal amounts of gross UBI and total deductions.

[4] Includes data from returns with positive amounts of unrelated business taxable income only.

[5] Total tax is the regular unrelated business income tax after reduction by any tax credits (foreign tax credit, general business credit, prior-year minimum tax credit, and other allowable credits), plus the "alternative minimum tax," the "proxy" tax on nondeductible lobbying and political expenditures, and "other" taxes. The proxy tax was reported on Form 990-T and was included in total tax; however, it had no connection to the tax on unrelated business income or an organization's involvement in unrelated business activities. For exempt organizations reporting gross UBI above the \$1,000 filing threshold, total proxy tax was \$5.4 million.

[6] The gross unrelated business income (UBI) brackets of "\$1,000 under \$10,001" and "\$10,001 under \$100,000" reflect the different filing requirements for organizations with gross UBI of \$10,000 or less (not required to report itemized expenses and deductions, or to complete return schedules) and all other Form 990-T filers (required to file a more detailed "complete" return). Organizations with gross UBI below \$1,000 were not required to file Form 990-T.

NOTE: Detail may not add to totals because of rounding.

Table 3. Number of Returns, Gross Unrelated Business Income (UBI), Total Deductions, Unrelated Business Taxable Income (Less Deficit), and Total Tax, by Size of Unrelated Business Taxable Income or Deficit, Tax Year 2005

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Size of unrelated business taxable income or deficit	Number of returns	Gross unrelated business income (UBI)	Total deductions [1, 2]		Unrelated business taxable income (less deficit)		Total tax [3]	
			Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Total	40,676	10,849,619	40,514	9,635,921	32,699	1,213,698	20,360	540,819
Deficit	12,313	3,777,599	12,313	4,608,211	12,313	-830,612	48	725
Zero [4]	7,977	2,249,017	7,977	2,249,016	0	0	151	1,179
\$1 under \$1,000	4,390	44,196	4,390	42,274	4,390	1,922	4,327	284
\$1,000 under \$10,000	8,519	276,329	8,434	241,860	8,519	34,469	8,450	5,959
\$10,000 under \$100,000	5,691	888,514	5,639	704,874	5,691	183,641	5,616	33,645
\$100,000 under \$500,000	1,344	875,865	1,322	594,463	1,344	281,403	1,329	86,913
\$500,000 under \$1,000,000	190	407,541	188	272,563	190	134,977	189	42,066
\$1,000,000 or more	252	2,330,557	252	922,660	252	1,407,898	250	370,050

[1] Excludes cost of sales and services, which was subtracted from gross receipts from sales and services in computing gross profit from sales and services. Gross profit from sales and services was a component of gross unrelated business income (UBI). Cost of sales and services can include amounts attributable to depreciation, salaries and wages, and certain other deductible items. For all exempt organizations reporting gross UBI, cost of sales and services was \$3.0 billion.

[2] Includes both expenses and deductions reported on Form 990-T, lines 13(B), 29, 31, and 33.

[3] Total tax is the regular unrelated business income tax after reduction by any tax credits (foreign tax credit, general business credit, prior-year minimum tax credit, and other allowable credits), plus the "alternative minimum tax," the "proxy" tax on nondeductible lobbying and political expenditures, and "other" taxes. The proxy tax was reported on Form 990-T and was included in total tax; however, it had no connection to the tax on unrelated business income or an organization's involvement in unrelated business activities. For exempt organizations reporting gross UBI above the \$1,000 filing threshold, total proxy tax was \$5.4 million.

[4] The Zero category includes returns with equal amounts of gross unrelated business income and total deductions.

NOTE: Detail may not add to totals because of rounding.

Unrelated Business Income Tax Returns, 2005

Statistics of Income Bulletin | Winter 2009

Table 4. Returns with Positive Unrelated Business Taxable Income: Number of Returns, Gross Unrelated Business Income (UBI), Total Deductions, Unrelated Business Taxable Income, and Total Tax, by Type of Entity and Size of Gross UBI, Tax Year 2005

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Type of entity and size of gross unrelated business income (UBI)	Number of returns	Gross unrelated business income (UBI)	Total deductions [1, 2]		Unrelated business taxable income	Total tax [3]	
			Number of returns	Amount		Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
ALL ENTITIES							
Total	20,387	4,823,003	20,225	2,778,693	2,044,310	20,161	538,916
\$1,000 under \$10,001 [4]	9,536	35,477	9,450	14,782	20,695	9,502	3,459
\$10,001 under \$100,000 [4]	6,219	222,202	6,166	114,940	107,261	6,126	19,890
\$100,000 under \$500,000	3,392	746,469	3,370	491,197	255,273	3,312	68,046
\$500,000 under \$1,000,000	597	416,740	595	280,580	136,160	590	40,789
\$1,000,000 under \$5,000,000	499	1,016,818	499	625,833	390,985	492	115,589
\$5,000,000 or more	144	2,385,297	144	1,251,362	1,133,935	140	291,143
TAX-EXEMPT CORPORATIONS							
Total	13,628	3,591,153	13,532	2,495,402	1,095,751	13,450	331,208
\$1,000 under \$10,001 [4]	4,493	19,694	4,407	8,555	11,139	4,486	1,679
\$10,001 under \$100,000 [4]	5,164	193,917	5,157	111,376	82,540	5,088	13,232
\$100,000 under \$500,000	2,940	651,100	2,937	474,722	176,378	2,862	45,346
\$500,000 under \$1,000,000	521	362,511	521	269,661	92,850	514	28,694
\$1,000,000 under \$5,000,000	394	776,628	394	569,082	207,546	388	67,517
\$5,000,000 or more	116	1,587,303	116	1,062,005	525,298	112	174,740
TAX-EXEMPT TRUSTS							
Total	6,759	1,231,850	6,693	283,291	948,559	6,711	207,708
\$1,000 under \$10,001 [4]	5,044	15,783	5,044	6,227	9,556	5,016	1,780
\$10,001 under \$100,000 [4]	1,055	28,285	1,009	3,564	24,721	1,037	6,658
\$100,000 under \$500,000	452	95,369	433	16,474	78,895	450	22,700
\$500,000 under \$1,000,000	76	54,229	74	10,919	43,311	76	12,095
\$1,000,000 under \$5,000,000	105	240,190	105	56,751	183,439	104	48,072
\$5,000,000 or more	28	797,994	28	189,357	608,637	28	116,403

[1] Excludes cost of sales and services, which was subtracted from gross receipts from sales and services in computing gross profit from sales and services. Gross profit from sales and services was a component of gross unrelated business income (UBI). Cost of sales and services can include amounts attributable to depreciation, salaries and wages, and certain other deductible items. For exempt organizations reporting positive unrelated business taxable income, cost of sales and services was \$1.1 billion, 99 percent of which was attributable to tax-exempt corporations.

[2] Includes both expenses and deductions reported on Form 990-T, lines 13(B), 29, 31, and 33.

[3] Total tax is the regular unrelated business income tax after reduction by any tax credits (foreign tax credit, general business credit, prior-year minimum tax credit, and other allowable credits), plus the "alternative minimum tax," the "proxy" tax on nondeductible lobbying and political expenditures, and "other" taxes. The proxy tax was reported on Form 990-T and was included in total tax; however, it had no connection to the tax on unrelated business income or an organization's involvement in unrelated business activities. For exempt organizations reporting positive unrelated business taxable income, total proxy tax was \$4.5 million.

[4] The gross unrelated business income (UBI) brackets of "\$1,000 under \$10,001" and "\$10,001 under \$100,000" reflect the different filing requirements for organizations with gross UBI of \$10,000 or less (not required to report itemized expenses and deductions, or to complete return schedules) and all other Form 990-T filers (required to file a more detailed "complete" return). Organizations with gross UBI below \$1,000 were not required to file Form 990-T.

NOTE: Detail may not add to totals because of rounding.

Unrelated Business Income Tax Returns, 2005

Statistics of Income Bulletin | Winter 2009

Table 5. Number of Returns, Gross Unrelated Business Income (UBI), Total Deductions, Unrelated Business Taxable Income (Less Deficit), Unrelated Business Taxable Income, and Total Tax, by Primary Unrelated Business Activity or Industrial Grouping, Tax Year 2005

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Primary unrelated business activity or industrial grouping	Number of returns	Gross unrelated business income (UBI)	Total deductions [1, 2]		Unrelated business taxable income (less deficit) [3]		Unrelated business taxable income [4]		Total tax [5]	
			Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
All activities and groupings	40,676	10,849,619	40,514	9,635,921	32,699	1,213,698	20,387	2,044,310	20,360	540,819
Agriculture, forestry, hunting, and fishing	276	77,928	276	48,203	220	29,725	67	33,070	68	10,674
Mining	306	49,752	306	23,168	274	26,585	252	26,854	244	5,536
Utilities	92	27,036	92	27,279	89	-243	* 27	* 1,382	* 27	* 308
Construction	97	112,108	97	107,639	91	4,469	50	7,388	50	2,317
Manufacturing	229	108,778	223	62,644	176	46,134	156	49,659	157	15,934
Wholesale trade	52	26,349	52	6,918	52	19,431	44	19,814	44	5,819
Retail trade	1,285	718,424	1,285	749,338	1,018	-30,914	429	37,587	438	11,702
Transportation and warehousing	70	9,249	70	7,309	69	1,940	* 56	* 2,733	* 56	* 824
Information	651	205,737	651	203,269	526	2,469	194	20,834	168	5,489
Finance and insurance, total	12,386	2,575,133	12,267	1,584,925	10,859	990,208	9,619	1,119,096	9,548	262,294
Unrelated debt-financed activities, other than rental of real estate	1061	259,332	1026	126,694	972	132,638	871	146,710	866	43,740
Investment activities of Code section 501(c)(7), (9), and (17) organizations [6]	3,468	1,075,010	3,437	498,152	2,710	576,858	2,549	584,945	2,527	116,812
Passive income activities with controlled organizations	463	237,634	457	211,490	395	26,144	299	66,842	301	16,072
Other finance and insurance	7,395	1,003,156	7,347	748,589	6,783	254,567	5,900	320,599	5,854	85,670
Real estate and rental and leasing, total	7,050	1,204,073	7,015	1,098,185	6,028	105,888	3,622	218,870	3,619	60,587
Rental of personal property	428	70,115	428	72,550	348	-2,435	194	4,341	196	1,057
Other real estate and rental and leasing	6,622	1,133,959	6,587	1,025,635	5,680	108,323	3,428	214,529	3,423	59,530
Professional, scientific, and technical services	8,249	2,133,972	8,249	2,008,164	5,383	125,808	2,461	250,555	2,562	83,344
Management of companies and enterprises	65	56,178	65	18,880	65	37,297	60	39,837	60	12,591
Administrative and support and waste management and remediation services	844	437,386	844	440,403	655	-3,017	232	33,134	235	10,413
Educational services	84	91,104	84	101,672	70	-10,568	* 7	* 2,173	* 7	* 672
Healthcare and social assistance	987	1,380,332	987	1,412,912	792	-32,580	332	89,221	347	29,321
Arts, entertainment, and recreation	4,385	748,499	4,385	797,228	3,308	-48,728	1,628	41,737	1,620	10,377
Accommodation and food services	2,777	675,809	2,775	720,578	2,379	-44,769	771	37,500	724	9,026
Other services	521	126,123	521	135,543	409	-9,420	241	4,984	245	1,298
Exploited exempt activities	236	84,568	236	80,610	205	3,958	111	7,824	113	2,284
Not allocable	* 32	* 1,081	* 32	* 1,055	* 31	* 26	* 29	* 57	* 29	* 9

* Estimate should be used with caution because of the small number of sample returns on which it is based.

[1] Excludes cost of sales and services, which was subtracted from gross receipts from sales and services in computing gross profit from sales and services. Gross profit from sales and services was a component of gross unrelated business income (UBI). Cost of sales and services can include amounts attributable to depreciation, salaries and wages, and certain other deductible items. For all exempt organizations reporting gross UBI, cost of sales and services was \$3.0 billion.

[2] Includes both expenses and deductions reported on Form 990-T, lines 13(B), 29, 31, and 33.

[3] Excludes data from 7,977 returns with equal amounts of gross UBI and total deductions.

[4] Includes data from returns with positive amounts of unrelated business taxable income only.

[5] Total tax is the regular unrelated business income tax after reduction by any tax credits (foreign tax credit, general business credit, prior-year minimum tax credit, and other allowable credits), plus the "alternative minimum tax," the "proxy" tax on nondeductible lobbying and political expenditures, and "other" taxes. The proxy tax was reported on Form 990-T and was included in total tax; however, it had no connection to the tax on unrelated business income or an organization's involvement in unrelated business activities. For exempt organizations reporting gross UBI above the \$1,000 filing threshold, total proxy tax was \$5.4 million.

[6] Section 501(c)(7) organizations are social and recreational clubs; section 501(c)(9) organizations are voluntary employees' beneficiary associations; and section 501(c)(17) organizations are supplemental unemployment benefit trusts.

NOTE: Detail may not add to totals because of rounding.

Unrelated Business Income Tax Returns, 2005

Statistics of Income Bulletin | Winter 2009

Table 6. Sources of Gross Unrelated Business Income (UBI), by Size of Gross UBI, Tax Year 2005

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Size of gross unrelated business income (UBI)	Gross unrelated business income (UBI)		Sources of gross unrelated business income (UBI)							
			Gross profit (less loss) from sales and services		Capital gain net income		Net capital loss (trusts only)		Net gain (less loss), sales of noncapital assets [2]	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Total	40,676	10,849,619	15,745	5,196,540	2,281	984,118	52	388	213	3,163
\$1,000 under \$10,001 [1]	15,116	61,732	2,876	7,686	827	3,752	0	0	* 7	* 6
\$10,001 or more, total [1]	25,560	10,787,887	12,869	5,188,854	1,454	980,366	52	388	206	3,157
\$10,001 under \$100,000	14,336	535,435	5,977	212,835	808	15,417	6	17	74	935
\$100,000 under \$500,000	8,302	1,795,803	5,025	911,930	368	52,188	20	58	72	2,320
\$500,000 under \$1,000,000	1,317	923,265	827	472,772	82	35,060	9	30	15	1,706
\$1,000,000 under \$5,000,000	1,276	2,636,190	813	1,386,805	134	130,080	** 17	** 283	** 45	** -1,805
\$5,000,000 or more	329	4,897,194	227	2,204,512	61	747,621	**	**	**	**

Size of gross unrelated business income (UBI)	Sources of gross unrelated business income (UBI)—continued							
	Income (less loss) from partnerships and S corporations		Rental income [3]		Unrelated debt-financed income		Investment income (less loss) [4]	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)
Total	8,377	705,861	4,455	276,007	3,537	493,089	5,757	668,602
\$1,000 under \$10,001 [1]	5,460	13,609	1,032	4,719	888	3,559	2,559	7,720
\$10,001 or more, total [1]	2,917	692,252	3,423	271,289	2,649	489,530	3,197	660,882
\$10,001 under \$100,000	1,546	32,400	2,262	53,044	1,524	46,137	1,490	21,366
\$100,000 under \$500,000	800	94,181	882	83,307	814	119,888	1,301	73,040
\$500,000 under \$1,000,000	177	53,688	138	37,485	125	55,576	246	42,727
\$1,000,000 under \$5,000,000	272	177,525	112	53,570	137	121,987	139	150,847
\$5,000,000 or more	122	334,457	29	43,883	49	145,943	22	372,902

Size of gross unrelated business income (UBI)	Sources of gross unrelated business income (UBI)—continued							
	Income from controlled organizations [5]		Exploited exempt activity income, except advertising		Advertising income		Other income (less loss)	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(19)	(20)	(21)	(22)	(23)	(24)	(25)	(26)
Total	1,049	211,795	959	175,670	8,294	1,467,341	5,324	667,820
\$1,000 under \$10,001 [1]	189	704	205	1,102	2,576	10,987	1,116	7,888
\$10,001 or more, total [1]	859	211,092	753	174,568	5,718	1,456,353	4,208	659,932
\$10,001 under \$100,000	338	7,438	256	4,928	3,157	92,350	2,068	48,600
\$100,000 under \$500,000	348	29,415	317	29,382	1,874	283,518	1,622	116,692
\$500,000 under \$1,000,000	54	13,302	59	18,840	283	136,276	227	55,862
\$1,000,000 under \$5,000,000	85	53,848	100	67,435	329	370,185	217	125,090
\$5,000,000 or more	34	107,089	21	53,982	75	574,024	74	313,688

* Estimate should be used with caution because of the small number of sample returns on which it is based.

** Data in adjacent size classes are combined to avoid disclosure of information about specific taxpayers.

[1] The gross unrelated business income (UBI) brackets of "\$1,000 under \$10,001" and "\$10,001 under \$100,000" reflect the different filing requirements for organizations with gross UBI of \$10,000 or less (not required to report itemized expenses and deductions, or to complete return schedules) and all other Form 990-T filers (required to file a more detailed "complete" return). Organizations with gross UBI below \$1,000 were not required to file Form 990-T.

[2] Property other than capital assets generally included property of a business nature, in contrast to personal property and investment property, which were capital assets.

[3] Income from real property and personal property leased with real property.

[4] Reported by Internal Revenue Code section 501(c)(7) social and recreational clubs, section 501(c)(9) voluntary employees' beneficiary associations, and section 501(c)(17) supplemental unemployment benefit trusts only.

[5] Annuities, interest, rents, and royalties.

NOTE: Detail may not add to totals because of rounding.

Unrelated Business Income Tax Returns, 2005

Statistics of Income Bulletin | Winter 2009

Table 7. Unrelated Business Income Tax Returns: Types of Deductions, by Size of Gross Unrelated Business Income (UBI), Tax Year 2005

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Item	Size of gross unrelated business income					
	All		\$1,000 under \$10,001 [3]		\$10,001 under \$100,000 [3]	
	Size of gross unrelated business income	Amount	Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)
Number of returns	40,676	N/A	15,116	N/A	14,336	N/A
Total deductions [1, 2]	40,514	9,635,921	15,030	60,228	14,284	522,583
Organizations with gross unrelated business income (UBI) of \$1,000 under \$10,001 [3]:						
Total deductions [2, 4]	15,030	60,228	15,030	60,228	N/A	N/A
Net operating loss deduction	1,265	2,579	1,265	2,579	N/A	N/A
Specific deduction	10,501	10,133	10,501	10,133	N/A	N/A
Organizations with gross unrelated business income (UBI) of \$10,001 or more [3]:						
Total deductions [2, 5]	25,484	9,575,693	N/A	N/A	14,284	522,583
Deductions directly connected with UBI, total	23,520	8,778,094	N/A	N/A	12,771	488,456
Allocable to rental income [6]	1,796	190,942	N/A	N/A	1,192	32,207
Allocable to unrelated debt-financed income [6]	2,369	479,510	N/A	N/A	1,334	49,414
Allocable to investment income [6,7]	1,142	113,345	N/A	N/A	361	4,337
Allocable to income from controlled organizations [6]	515	163,695	N/A	N/A	209	5,237
Allocable to exploited exempt-activity income, except advertising [6]	674	144,811	N/A	N/A	233	3,984
Direct advertising costs [6]	5,233	1,026,698	N/A	N/A	2,875	68,566
Compensation of officers, directors, and trustees	1,969	54,232	N/A	N/A	860	8,055
Salaries and wages	11,033	1,712,568	N/A	N/A	4,881	93,422
Repairs and maintenance	8,077	120,202	N/A	N/A	3,784	12,864
Bad debts	962	37,642	N/A	N/A	192	218
Interest	3,200	68,908	N/A	N/A	1,290	7,666
Taxes and licenses paid deduction	11,622	226,638	N/A	N/A	5,686	19,964
Depreciation	7,965	241,639	N/A	N/A	3,559	17,901
Depletion	91	7,489	N/A	N/A	44	310
Contributions to deferred compensation plans	1,124	14,877	N/A	N/A	305	373
Contributions to employee benefit programs	5,677	255,443	N/A	N/A	1,924	7,182
Net operating loss deduction	3,780	371,824	N/A	N/A	2,082	17,285
Other deductions	15,091	3,547,629	N/A	N/A	7,344	139,473
Deductions not directly connected with UBI, total	13,903	797,598	N/A	N/A	7,827	34,127
Specific deduction	11,502	11,144	N/A	N/A	6,640	6,437
Charitable contributions	2,220	129,021	N/A	N/A	1,012	3,755
Set-asides [7]	322	313,810	N/A	N/A	107	1,771
Excess exempt-activity expenses [8]	2,772	343,622	N/A	N/A	1,391	22,163

Footnotes at end of table.

Unrelated Business Income Tax Returns, 2005

Statistics of Income Bulletin | Winter 2009

Table 7. Unrelated Business Income Tax Returns: Types of Deductions, by Size of Gross Unrelated Business Income (UBI), Tax Year 2005—Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Item	Size of gross unrelated business income—continued					
	\$500,000 under \$1,000,000		\$1,000,000 under \$5,000,000		\$5,000,000 or more	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(9)	(10)	(11)	(12)	(13)	(14)
Number of returns	1,317	N/A	1,276	N/A	329	N/A
Total deductions [1, 2]	1,315	883,579	1,276	2,456,176	329	3,948,282
Organizations with gross unrelated business income (UBI) of \$1,000 under \$10,001 [3]:						
Total deductions [2, 4]	N/A	N/A	N/A	N/A	N/A	N/A
Net operating loss deduction	N/A	N/A	N/A	N/A	N/A	N/A
Specific deduction	N/A	N/A	N/A	N/A	N/A	N/A
Organizations with gross unrelated business income (UBI) of \$10,001 or more [3]:						
Total deductions [2, 5]	1,315	883,579	1,276	2,456,176	329	3,948,282
Deductions directly connected with UBI, total	1,276	827,668	1,226	2,261,346	315	3,545,717
Allocable to rental income [6]	77	28,132	76	38,098	24	33,740
Allocable to unrelated debt-financed income [6]	121	62,253	128	121,032	42	127,093
Allocable to investment income [6,7]	151	5,598	77	8,221	9	87,971
Allocable to income from controlled organizations [6]	34	9,602	55	31,578	25	98,085
Allocable to exploited exempt-activity income, except advertising [6]	52	15,645	94	55,243	19	44,789
Direct advertising costs [6]	269	97,555	310	257,747	69	400,561
Compensation of officers, directors, and trustees	134	5,819	130	12,076	44	8,738
Salaries and wages	749	189,701	705	487,713	192	541,360
Repairs and maintenance	500	14,864	483	26,875	125	28,751
Bad debts	131	2,888	172	11,973	67	20,579
Interest	223	8,082	195	16,334	60	17,767
Taxes and licenses paid deduction	651	28,809	619	40,232	175	61,645
Depreciation	508	30,642	557	64,201	165	67,621
Depletion	9	714	3	887	4	4,502
Contributions to deferred compensation plans	150	1,601	106	5,971	19	4,557
Contributions to employee benefit programs	493	22,222	546	84,059	161	104,135
Net operating loss deduction	235	29,700	261	98,521	77	186,506
Other deductions	926	273,842	955	900,584	268	1,707,319
Deductions not directly connected with UBI, total	748	55,911	666	194,829	194	402,564
Specific deduction	612	602	498	495	144	144
Charitable contributions	131	5,942	174	21,966	81	81,436
Set-asides [7]	32	15,423	47	73,065	10	196,814
Excess exempt-activity expenses [8]	165	33,945	214	99,303	51	124,170

* Estimate should be used with caution because of the small number of sample returns on which it is based.

N/A—Not applicable.

[1] Excludes cost of sales and services, which was subtracted from gross receipts from sales and services in computing gross profit from sales and services. Gross profit from sales and services was a component of gross unrelated business income (UBI). Cost of sales and services can include amounts attributable to depreciation, salaries and wages, and certain other deductible items. For all exempt organizations reporting gross UBI, cost of sales and services was \$3.0 billion.

[2] Includes both expenses and deductions reported on Form 990-T, lines 13(B), 29, 31, and 33.

[3] Organizations with gross UBI between \$1,000 (the filing threshold) and \$10,000 were required to report only totals for expenses and deductions (except for the specific deduction and net operating loss deduction, which all organizations reported separately). Organizations with gross UBI over \$10,000 were required to report each expense and deduction item separately.

[4] Excludes \$62.3 million of cost of sales and services reported by organizations with gross UBI of \$10,000 or less. See footnote 1 for explanation.

[5] Excludes \$3.0 billion of cost of sales and services reported by organizations with gross UBI over \$10,000. See footnote 1 for explanation.

[6] This deduction was required to be reported as a lump-sum total only and may have included component deductions that were of the same type shown elsewhere in this table. For example, if deductions "allocable to rental income" included depreciation, then that amount of depreciation would not be included in the separately reported item, "depreciation." Therefore, the total amount shown for some of the separately reported deductions may be understated.

[7] Reported by Internal Revenue Code section 501(c)(7) social and recreational clubs, section 501(c)(9) voluntary employees' beneficiary associations, and section 501(c)(17) supplemental unemployment benefit trusts only.

[8] Includes excess exempt-activity expenses from Form 990-T, Schedule I, and excess readership costs from Form 990-T, Schedule J.

NOTE: Detail may not add to totals because of rounding.

Foreign Recipients of U.S. Income, 2005

by Scott Luttrell

United States-source income of nonresident alien individuals and other foreign persons is reported on Form 1042-S, *Foreign Person's U.S. Source Income Subject to Withholding*. This income is subject to a flat, statutory tax rate of 30 percent. However, this rate is frequently reduced or eliminated by way of an income tax treaty or statutory exemption (see Table 1 for the amount of income exempt from taxation). Income that is exempt from taxation because of a tax treaty or certain other exemptions must still be reported. The principal types of income are interest, dividends, notional principal contract income, rents, royalties, Social Security and railroad retirement payments, and personal services income, shown separately in Table 2. Other types of income include capital gains, scholarships, pensions and annuities, gambling winnings, and certain real estate distributions. Bank deposit interest and certain other interest payments on specific types of financial obligations are generally not reported on Form 1042-S.¹

U.S. individuals, corporations, or other entities paying U.S.-source income to foreign persons are required to withhold taxes on this income (except where statutory or treaty exemptions apply) or to appoint a withholding agent (normally a U.S. financial institution) to do so. Foreign financial institutions that enter into agreements with the Internal Revenue Service, known as qualified intermediaries (QIs), may also serve as withholding agents. A withholding agent or qualified intermediary is fully liable for all taxes owed by a foreign beneficial owner and also reports the income paid to each recipient on Form 1042-S. Without this withholding requirement, there would be no effective way to enforce taxpayer compliance, because foreign recipients are generally not required to file U.S. tax returns to report this income.

Scott Luttrell is an economist with the Special Studies Returns Analysis Section. This data release was prepared under the direction of Chris Carson, Chief.

Data Highlights

During Tax Year 2005, foreign persons received \$378.4 billion in U.S.-source income, as reported on Form 1042-S, and \$333.2 billion (88.0 percent) of this income were exempt from withholding taxes. A total of \$6.7 billion in taxes was withheld on the residual \$45.3 billion of income subject to withholding tax. The 63 countries with which the United States maintained a comprehensive tax treaty in 2005 accounted for \$279.2 billion of the total U.S. income paid to foreign persons and \$4.3 billion of the tax withheld (Table 1).² There were 10 nontreaty jurisdictions that received more than \$1 billion of U.S.-source income in 2005: the Bahamas, Bermuda, the British Virgin Islands, the Cayman Islands, Hong Kong, Jersey, Netherlands Antilles, Saudi Arabia, Singapore, and Taiwan (Table 2). All nontreaty countries combined to account for 26.2 percent of total income and 36.0 percent of total tax withheld.

As shown in Figure A, residents of the United Kingdom, Japan, the Cayman Islands, Germany, the Netherlands, and Switzerland received the largest shares of U.S.-source income. Recipients from these six countries combined to account for 59.4 percent of total income. Meanwhile, the largest amounts of tax withheld were paid by residents of the Cayman Islands, Canada, France, Luxembourg, the United Kingdom, Switzerland, and Australia. Tax withheld on payments to residents of these countries made up 49.0 percent of total tax withheld.

Among recipient categories, corporations received the majority of U.S.-source income with \$263.2 billion (69.5 percent). Governments and international organizations were next with \$21.1 billion (5.6 percent), followed by individual recipients with \$10.8 billion (2.8 percent). The largest amounts of tax were withheld on payments made to corporations and individuals, accounting for 49.5 percent and 11.5 percent, respectively. The recipient category QI pools (see Explanation of Selected Terms), shown in Table 2 and Figure B, represents payments made from QIs directly to beneficial owners (or payments

¹ U.S. Department of the Treasury, Internal Revenue Service, Instructions for Form 1042-S. Bank deposit interest is generally excluded from Form 1042-S reporting, although an exception exists for Canadian residents who are not U.S. citizens. Bank deposit interest paid to Canadian residents is subject to Form 1042-S reporting but is exempt from withholding tax. In addition to bank deposit interest, other payments to foreign persons that are not subject to reporting on Form 1042-S include: interest and original issue discount (OID) from short-term obligations, registered obligations targeted to foreign markets, bearer obligations targeted to foreign markets, notional principal contract payments that are not effectively connected income, and accrued interest and OID.

² U.S. Department of the Treasury, Internal Revenue Service, U.S. Tax Treaties, Publication 901. The U.S. income tax treaty with the former Union of Soviet Socialist Republics (U.S.S.R.) remains in effect for the following members of the Commonwealth of Independent States (C.I.S.): Armenia, Azerbaijan, Belarus, Georgia, Kyrgyzstan, Moldova, Tajikistan, Turkmenistan, and Uzbekistan. That treaty will remain in effect until new treaties with these individual countries are negotiated and ratified. New treaties with Russia, Kazakhstan, and the Ukraine entered into force in 1994, 1996, and 2001, respectively.

Foreign Recipients of U. S. Income, 2005

Statistics of Income Bulletin | Winter 2009

Figure A

Percentage of Income Paid to Foreign Persons and Percentage of Tax Withheld on Income Paid to Foreign Persons in Selected Countries, 2005

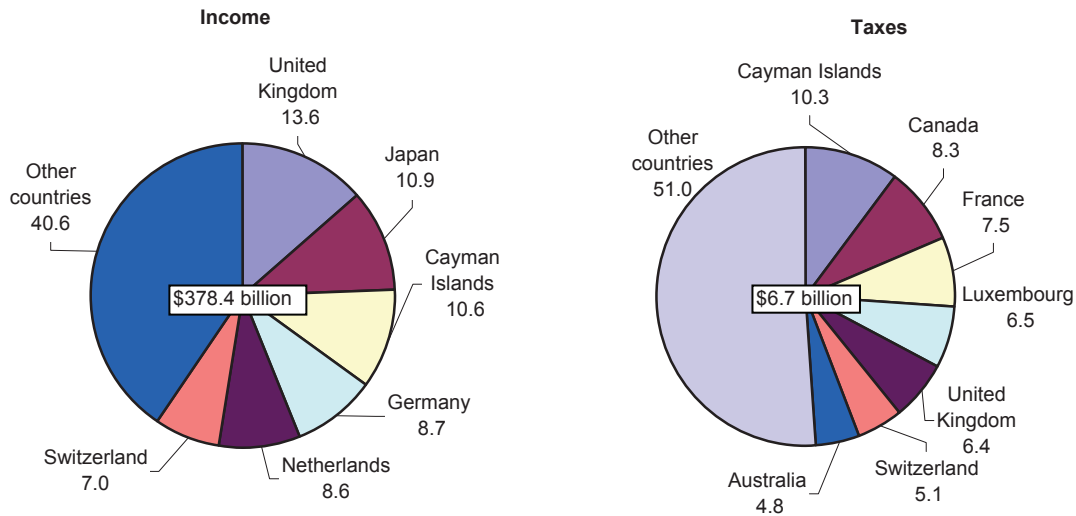


Figure B

U.S.-Source Payments to Foreign Persons: Income, Tax withheld, and Effective Tax Rate, by Recipient Type, Tax Year 2005

[Money amounts are in thousands of dollars]

Selected recipient type	U.S.-source income			U.S. tax withheld	Effective tax rate on income subject to withholding tax [1]
	Total	Exempt from withholding	Subject to withholding		
	(1)	(2)	(3)	(4)	(5)
All recipients	378,438,148	333,181,909	45,256,240	6,665,857	14.7
Individuals	10,778,161	7,220,459	3,557,702	764,925	21.5
Corporations	263,182,921	236,478,349	26,704,573	3,299,199	12.4
Partnerships/trusts	8,534,865	7,176,113	1,358,753	267,684	19.7
U.S. branch treated as U.S. person	2,459,059	2,457,968	1,091	311	28.5
Governments and international organizations	21,114,040	21,047,656	66,385	8,728	13.1
Tax-exempt organizations	4,096,156	4,051,858	44,299	8,989	20.3
Private foundations	143,715	68,171	75,544	4,506	6.0
Artists and athletes	470,652	95,887	374,765	104,771	28.0
Qualified intermediary pools	53,445,529	41,453,883	11,991,646	2,037,094	17.0
Other/unknown	14,213,050	13,131,565	1,081,482	169,650	15.7

[1] U.S. tax withheld divided by U.S.-source income

NOTES: Detail may not add to totals because of rounding. Percentages are computed using rounded data.

Foreign Recipients of U.S. Income, 2005

Statistics of Income Bulletin | Winter 2009

that are treated as paid directly to beneficial owners). QI pool payments may include income payable to more than one category of recipient. As such, specific recipient classification is not available for these types of payments. In 2005, payments to QI pools made up 14.1 percent of total income and contributed 30.6 percent of total tax withheld.

U.S. income paid to foreign persons is classified under 1 of 34 possible income categories. Most of these income categories are devoted to specific types of interest, dividends, and passive types of income. For 2005, interest payments (\$211.8 billion) accounted for the majority of income paid to foreign recipients, accounting for 56.0 percent of the total. Dividends and notional principal contract income combined to account for \$113.5 billion, or 30.0 percent of total income. Rents and royalties accounted for \$21.5 billion, or 5.7 percent of total income.

Corporations were the leading recipients of the largest categories of income. Corporate recipients earned the most interest (69.0 percent), dividends (47.5 percent), notional principal contract income (95.5 percent), and rents and royalties income (92.8 percent). After corporate recipients, and excluding QI pools and other and unknown recipients, foreign governments and international organizations collected the largest shares of interest (6.4 percent) and dividends (6.4 percent). Individual recipients collected the second largest share of rents and royalties (2.4 percent).

Overall, the effective tax rate on all U.S.-source income subject to withholding in 2005 was 14.7 percent, significantly below the statutory rate of 30 percent, due largely to reduced withholding rates permitted under tax treaties. As shown in Figure B, tax rates varied considerably among recipient types. While corporations received the largest amount of income subject to withholding tax, they enjoyed some of the lowest effective tax rates (12.4 percent). This is largely attributable to the fact that corporations received large amounts of dividends and royalties that are subject to reduced withholding rates by way of tax treaties. In contrast, individual recipients received 20.4 percent of total income subject to withholding in the form of personal services income and Social Security and railroad retirement benefits, which are less likely to benefit from reduced treaty rates. QI pool payments subject to withholding tax

consisted of 92.6-percent dividends, the withholding rates for which were largely reduced by tax treaties.

Data Sources and Limitations

Payers (or their authorized withholding agents) of most U.S.-source income to foreign persons must withhold tax in accordance with Internal Revenue Code section 1441. Form 1042-S, *Foreign Person's U.S. Source Income Subject to Withholding*, is filed by the payer to report this income and the U.S. tax withheld. A financial institution often acts as the payer's withholding agent. The statistics in this data release were tabulated by calendar year, using all Forms 1042-S filed with the Internal Revenue Service for 2005. The data reflect the income that was paid and U.S. tax that was withheld for 2005.

Because the population of Forms 1042-S was used for the statistics, the data are not subject to sampling error. However, the data are subject to nonsampling error, including data entry and taxpayer reporting errors. Although the data were subjected to tests for certain basic mathematical relationships, including the calculation of the correct tax withheld, the possibility of error cannot be completely eliminated.

Explanation of Selected Terms

Beneficial owner—In general, the beneficial owner is the person who is required under U.S. tax principles, to include income in gross income on a tax return. A person is not a beneficial owner of income, to the extent that person is receiving the income as a nominee, agent, or custodian, or to the extent that person is a conduit whose participation in a transaction is disregarded.

Foreign persons—For purposes of this data release, foreign persons include: (a) individuals whose residence is not within the United States and who are not U.S. citizens (i.e., nonresident aliens) and (b) corporations and other organizations (including partnerships, private foundations, estates, and trusts) created or organized outside the United States. Individuals residing, and organizations created or organized, in Puerto Rico and U.S. possessions are also considered foreign persons.

Notional principal contract income—Notional principal contracts involve two parties who agree

Foreign Recipients of U. S. Income, 2005

Statistics of Income Bulletin | Winter 2009

contractually to pay each other amounts at specified times, based on the underlying contract. The notional amount is an amount, specified in the contract, on which certain calculations are made. Generally, when amounts are due under the contract at the same time, they are netted, and only one payment is made.

Qualified intermediary pool—Payments made by a qualified intermediary directly to beneficial owners may generally be reported on the basis of reporting pools. A reporting pool consists of income that falls within a particular withholding rate and within a particular income type, exemption type, or recipient type.

Foreign Recipients of U.S. Income, 2005

Statistics of Income Bulletin | Winter 2009

Table 1. Foreign Recipients of U.S. Income Forms 1042S: Number, Total U.S.-Source Income, and U.S. Tax Withheld, Tax Treaty Countries and Total Non-Tax Treaty Countries, 2005

[Money amounts in thousands of dollars]

Treaty status, country or geographic area	Number of Forms 1042S	U.S.-source income			U.S. tax withheld
		Total	Exempt from withholding	Subject to withholding	
	(1)	(2)	(3)	(4)	(5)
Total	3,307,478	378,438,148	333,181,909	45,256,240	6,665,857
Treaty countries, total	2,585,776	279,202,083	242,976,584	36,225,499	4,266,814
Armenia	482	24,530	23,898	632	113
Australia [1]	154,662	5,675,556	3,055,852	2,619,705	322,598
Austria	29,054	1,133,430	939,242	194,188	41,463
Azerbaijan	425	5,948	5,354	594	93
Barbados	2,666	519,126	350,243	168,883	34,116
Belarus	404	2,317	1,513	804	174
Belgium	22,421	6,053,452	5,509,306	544,145	90,004
Canada	430,555	16,901,234	11,025,120	5,876,114	555,639
China	75,528	3,396,714	3,219,868	176,846	20,397
Cyprus	2,005	121,738	114,293	7,445	1,799
Czech Republic	4,400	193,665	170,804	22,861	4,223
Denmark	7,222	1,859,531	1,579,439	280,092	38,054
Egypt	4,154	36,886	24,813	12,073	2,193
Estonia	754	3,248	1,621	1,627	388
Finland	4,034	1,343,407	1,260,703	82,704	8,177
France [2]	52,029	15,078,901	7,702,112	7,376,789	502,933
Georgia	505	4,042	2,101	1,941	478
Germany	798,228	32,926,009	30,196,601	2,729,407	251,703
Greece	17,352	111,715	49,435	62,281	16,345
Hungary	3,520	2,116,511	2,031,693	84,817	12,741
Iceland	1,838	631,952	616,819	15,133	2,563
India	23,146	298,083	223,963	74,119	11,885
Indonesia	6,821	31,129	24,761	6,369	1,125
Ireland	35,782	8,413,652	7,413,802	999,850	202,478
Israel	30,810	685,632	530,303	155,329	28,878
Italy	49,374	2,676,058	1,574,293	1,101,765	152,142
Jamaica	4,869	61,625	40,937	20,688	3,544
Japan	86,081	41,078,767	38,864,142	2,214,625	214,677
Kazakhstan	510	51,139	48,797	2,341	327
Korea, Republic of (South)	23,606	1,971,896	1,723,536	248,360	37,184
Kyrgyzstan	237	1,375	1,184	191	25
Latvia	826	10,491	9,250	1,241	310
Lithuania	775	4,098	2,753	1,345	283
Luxembourg	5,431	9,849,585	7,314,159	2,535,426	435,784
Mexico	142,671	3,304,285	2,382,791	921,495	142,521
Moldova	218	1,689	974	715	149
Morocco	912	10,668	8,736	1,932	390

Footnotes at end of table.

Foreign Recipients of U. S. Income, 2005

Statistics of Income Bulletin | Winter 2009

Table 1. Foreign Recipients of U.S. Income Forms 1042S: Number, Total U.S.-Source Income, and U.S. Tax Withheld, Tax Treaty Countries and Total Non-Tax Treaty Countries, 2005—Continued

[Money amounts in thousands of dollars]

Treaty status, country or geographic area	Number of Forms 1042S	U.S.-source income			U.S. tax withheld
		Total	Exempt from withholding	Subject to withholding	
	(1)	(2)	(3)	(4)	(5)
Netherlands	38,816	32,587,372	31,612,492	974,879	107,574
New Zealand	16,200	366,365	214,944	151,421	21,296
Norway	6,263	3,808,739	3,716,009	92,730	15,046
Pakistan	4,784	35,520	30,001	5,519	1,057
Philippines	21,084	388,906	308,759	80,148	18,094
Poland	7,343	145,531	117,320	28,211	6,052
Portugal	10,493	241,921	171,718	70,203	12,847
Romania	2,494	21,171	10,108	11,064	1,538
Russia	9,303	548,843	528,760	20,083	3,626
Slovak Republic	1,340	8,638	6,193	2,445	554
Slovenia	1,201	12,895	9,215	3,680	841
South Africa	7,775	115,362	68,623	46,739	8,281
Spain	30,192	928,887	616,362	312,525	42,334
Sri Lanka	732	3,591	1,247	2,344	342
Sweden	23,190	3,710,038	3,253,034	457,004	62,915
Switzerland	41,285	26,657,493	25,051,575	1,605,918	336,905
Tajikistan	183	1,016	866	150	19
Thailand	6,669	155,966	139,906	16,060	2,760
Trinidad and Tobago	5,466	52,308	43,433	8,876	2,381
Tunisia	425	21,647	21,213	434	78
Turkey	5,084	30,278	17,052	13,226	2,305
Turkmenistan	124	952	785	167	25
Ukraine	1,705	10,464	8,561	1,903	447
United Kingdom	274,440	51,510,423	48,789,076	2,721,347	423,265
Uzbekistan	427	2,695	1,997	698	149
Venezuela	44,451	1,244,976	192,122	1,052,854	58,185
Nontreaty countries, total [3]	721,702	99,236,065	90,205,325	9,030,740	2,399,043

[1] Includes Ashmore and Cartier Islands/Christmas Island/Cocos (Keeling) Islands/Coral Sea Islands Territory/Norfolk Island.

[2] Includes Guadeloupe/French Guiana/Martinique/Reunion.

[3] Includes Puerto Rico and U.S. possessions. The U.S. and Bermuda have had a tax treaty in effect since 1986, however, this treaty provides no reduction of withholding rates.

NOTES: Detail may not add to totals because of rounding. Form 1042S is entitled "Foreign Person's U.S. Source Income Subject to Withholding."

Foreign Recipients of U.S. Income, 2005

Statistics of Income Bulletin | Winter 2009

Table 2. Foreign Recipients of U. S. Income Forms 1042S: Number, U.S. Tax Withheld, and U.S.-Source Income, by Principal Type of Income, Selected Recipient Type, and Selected Country of Recipient, 2005

[Money amounts are in thousands of dollars]

Selected country or geographic area and selected recipient type	Number of Forms 1042S	U.S. tax withheld [1]	Total U.S.-source income	Principal types of U.S.-source income					
				Interest	Dividends	Rents and royalties	Social Security and railroad retirement payments	Personal services income	Notional principal contract income
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Total	3,307,478	6,665,857	378,438,148	211,819,378	67,223,982	21,476,001	1,346,436	1,978,036	46,236,397
RECIPIENT TYPES									
Individuals, total	2,847,993	764,925	10,778,161	3,708,966	2,094,957	521,903	1,346,430	881,031	4,133
Corporations, total	308,436	3,299,199	263,182,921	146,100,764	31,912,141	19,932,984	0	418,912	44,160,468
Partnerships/trusts, total	72,868	267,684	8,534,865	4,330,930	3,286,387	108,545	0	22,674	35,487
U.S. branch treated as U.S. person, total	556	311	2,459,059	1,864,069	23,217	4	0	0	547,070
Governments and international organizations, total	4,268	8,728	21,114,040	13,616,366	4,286,304	4,111	0	665	123,020
Tax-exempt organizations, total [1]	5,071	8,989	4,096,156	2,443,312	1,392,564	136,750	0	129	0
Private foundations, total	847	4,506	143,715	61,334	71,284	2,491	0	3	0
Artists and athletes, total	8,867	104,771	470,652	0	0	19,590	0	0	0
Qualified intermediary pools, total	35,425	2,037,094	53,445,529	37,322,201	15,280,652	125,208	0	5	1,455
Other/unknown, total	23,147	169,650	14,213,050	2,371,437	8,876,476	624,415	6	654,617	1,364,764
COUNTRIES OR GEOGRAPHIC AREAS, RECIPIENT TYPES									
Argentina	58,516	17,166	317,668	243,673	37,199	3,166	8,794	3,943	0
Individuals	56,160	10,173	236,725	189,442	20,354	713	8,794	3,119	0
Corporations	1,897	3,452	63,718	50,631	9,978	1,481	0	694	0
Qualified intermediary pools	12	2	1,009	1,001	9	0	0	0	0
Australia	154,274	322,078	5,669,483	2,028,862	2,007,051	578,126	16,666	11,083	407,511
Individuals	113,238	13,354	103,666	10,200	33,598	7,782	16,666	5,287	0
Corporations	19,760	221,959	3,325,152	676,828	1,308,956	562,055	0	2,471	403,888
Qualified intermediary pools	65	40,424	1,153,742	884,247	260,821	0	0	0	0
Austria	29,054	41,462	1,133,429	756,415	196,718	21,466	6,983	14,165	92,514
Individuals	25,901	6,190	73,149	11,121	24,204	12,558	6,983	2,244	0
Corporations	655	15,219	448,545	258,031	72,682	8,766	0	1,011	92,514
Qualified intermediary pools	1,913	19,013	323,097	231,111	86,463	12	0	1	0
Bahamas	18,475	73,654	1,601,337	1,281,801	249,206	19,527	654	1,602	1,846
Individuals	4,200	3,864	36,468	15,291	14,695	63	654	844	0
Corporations	13,237	46,278	1,168,344	957,979	158,351	18,254	0	61	1,846
Qualified intermediary pools	220	10,906	261,502	224,390	36,621	0	0	0	0
Bahrain	1,711	1,199	204,708	192,792	7,360	18	24	0	909
Individuals	1,375	255	2,411	316	649	17	24	0	0
Corporations	260	895	137,502	132,386	3,291	0	0	0	248
Qualified intermediary pools	14	16	193	49	145	0	0	0	0
Barbados	2,666	34,115	519,125	313,370	58,579	37,345	1,448	338	55,286
Individuals	1,431	629	11,948	7,590	927	1,024	1,448	20	0
Corporations	978	25,537	445,822	276,626	52,017	11,820	0	312	55,286
Qualified intermediary pools	19	408	23,886	22,469	1,359	0	0	0	0
Belgium	22,421	90,003	6,053,451	4,238,210	940,839	79,702	5,300	66,067	641,268
Individuals	19,814	7,771	112,001	11,833	18,664	3,167	5,300	62,712	0
Corporations	1,298	7,303	1,823,060	1,018,660	42,543	76,380	0	676	641,268
Qualified intermediary pools	452	69,836	4,073,567	3,184,870	868,380	0	0	0	0
Bermuda	18,196	234,521	8,815,047	7,833,010	737,511	11,567	749	3,296	18,847
Individuals	5,693	4,377	52,688	36,697	4,252	7,800	749	241	0
Corporations	10,688	186,452	7,933,412	7,123,277	594,445	3,716	0	3,023	9,330
Qualified intermediary pools	42	7,225	173,168	148,924	23,946	29	0	0	0

Footnotes at end of table.

Foreign Recipients of U. S. Income, 2005

Statistics of Income Bulletin | Winter 2009

Table 2. Foreign Recipients of U. S. Income Forms 1042S: Number, U.S. Tax Withheld, and U.S.-Source Income, by Principal Type of Income, Selected Recipient Type, and Selected Country of Recipient, 2005—Continued

[Money amounts are in thousands of dollars]

Selected country or geographic area and selected recipient type	Number of Forms 1042S	U.S. tax withheld [1]	Total U.S.-source income	Principal types of U.S.-source income					
				Interest	Dividends	Rents and royalties	Social Security and railroad retirement payments	Personal services income	Notional principal contract income
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Brazil	30,276	20,430	381,603	253,081	26,341	4,492	5,233	23,464	0
Individuals	28,114	10,203	133,219	89,767	14,121	3,032	5,233	6,430	0
Corporations	1,506	5,865	96,876	73,734	2,353	1,100	0	14,938	0
Qualified intermediary pools	5	0	112	111	1	0	0	0	0
British Virgin Islands	59,970	217,730	9,530,608	8,516,521	825,300	39,587	367	17,900	22,804
Individuals	2,955	2,705	70,954	58,596	10,710	505	367	4	0
Corporations	55,672	204,791	9,330,157	8,369,177	799,072	36,545	0	392	22,804
Qualified intermediary pools	74	125	6,344	5,930	415	0	0	0	0
Canada	430,555	555,638	16,901,233	5,624,732	6,106,805	616,690	352,539	253,094	2,489,463
Individuals	395,732	75,398	966,949	80,935	81,907	49,176	352,539	96,477	0
Corporations	16,518	179,294	9,317,162	3,227,403	2,374,477	546,966	0	109,448	2,158,330
Qualified intermediary pools	3,991	272,193	4,778,961	1,882,327	2,868,988	23	0	0	0
Cayman Islands	69,215	687,910	40,087,882	37,151,769	2,225,578	8,877	398	74	55,309
Individuals	19,371	109,574	1,140,097	704,340	397,639	71	398	2	0
Corporations	45,409	536,067	37,411,308	35,136,254	1,702,900	6,435	0	70	43,858
Qualified intermediary pools	226	5,497	74,719	55,024	15,763	20	0	0	0
Chile	18,741	37,930	445,059	243,114	116,125	2,126	3,468	1,412	513
Individuals	15,008	4,610	86,059	67,446	7,943	301	3,468	973	0
Corporations	3,552	32,667	269,909	88,783	107,476	1,227	0	364	513
Qualified intermediary pools	6	0	35	35	0	0	0	0	0
China	75,528	20,397	3,396,713	2,780,770	173,040	70,639	330	233,090	44,272
Individuals	74,228	5,332	389,253	52,530	22,483	1,038	330	224,753	0
Corporations	807	1,459	986,153	931,685	3,532	3,920	0	372	44,272
Qualified intermediary pools	24	12,599	291,632	165,912	125,704	0	0	0	0
Colombia	25,848	8,407	366,960	320,674	23,219	3,863	7,359	2,497	0
Individuals	23,477	5,519	56,065	30,707	6,430	1,902	7,359	2,339	0
Corporations	2,022	2,572	128,999	120,620	5,400	1,883	0	118	0
Qualified intermediary pools	d	d	d	d	d	d	d	d	d
Denmark	7,222	38,054	1,859,531	566,511	266,054	34,211	4,294	2,239	948,015
Individuals	5,877	2,901	27,444	5,589	4,705	2,710	4,294	1,592	0
Corporations	747	8,759	1,336,260	257,660	85,851	31,201	0	155	937,187
Qualified intermediary pools	229	23,812	428,163	270,669	157,323	1	0	0	0
Finland	4,034	8,177	1,343,407	163,393	73,608	49,063	2,456	10,437	1,017,833
Individuals	3,315	971	8,178	578	784	188	2,456	792	0
Corporations	375	4,221	1,180,665	75,972	19,809	47,500	0	42	1,017,373
Qualified intermediary pools	56	2,574	39,406	22,240	17,152	0	0	0	0
France	51,696	502,783	15,076,115	5,071,788	5,119,145	2,299,288	26,922	67,749	2,213,945
Individuals	45,344	19,439	216,738	23,990	43,197	36,538	26,922	48,136	0
Corporations	3,791	350,324	12,137,203	3,679,097	4,112,512	2,171,711	0	14,454	1,933,737
Qualified intermediary pools	642	113,797	1,923,819	1,184,161	737,455	13	0	1	0
Germany	798,228	251,703	32,926,008	10,054,807	3,079,880	1,035,839	92,651	113,963	17,906,075
Individuals	784,667	36,879	780,712	49,861	194,236	35,507	92,651	36,208	127
Corporations	6,595	118,904	28,626,122	8,258,509	2,230,206	891,725	0	9,470	17,017,657
Qualified intermediary pools	3,302	81,228	2,201,902	1,505,539	604,386	75,708	0	1	0

Footnotes at end of table.

Foreign Recipients of U.S. Income, 2005

Statistics of Income Bulletin | Winter 2009

Table 2. Foreign Recipients of U. S. Income Forms 1042S: Number, U.S. Tax Withheld, and U.S.-Source Income, by Principal Type of Income, Selected Recipient Type, and Selected Country of Recipient, 2005—Continued

[Money amounts are in thousands of dollars]

Selected country or geographic area and selected recipient type	Number of Forms 1042S	U.S. tax withheld [1]	Total U.S.-source income	Principal types of U.S.-source income					
				Interest	Dividends	Rents and royalties	Social Security and railroad retirement payments	Personal services income	Notional principal contract income
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Greece	17,352	16,345	111,715	16,925	41,282	1,813	38,392	2,938	0
Individuals	16,789	12,785	87,706	8,254	30,159	184	38,392	2,854	0
Corporations	352	2,012	18,346	8,138	6,776	1,435	0	37	0
Qualified intermediary pools	79	90	359	59	294	0	0	0	0
Guernsey	2,934	18,705	684,758	613,744	62,494	514	0	255	0
Individuals	440	655	32,966	30,342	1,850	0	0	116	0
Corporations	1,868	9,835	475,746	439,597	31,704	487	0	0	0
Qualified intermediary pools	163	6,289	159,856	137,358	20,928	8	0	0	0
Hong Kong	39,782	61,046	1,376,128	952,282	319,815	6,532	1,707	16,919	32,440
Individuals	34,402	13,832	121,822	61,740	47,043	965	1,707	1,652	0
Corporations	4,427	25,345	666,059	551,320	45,938	5,235	0	15,071	32,440
Qualified intermediary pools	180	16,362	165,459	110,356	54,969	1	0	0	0
India	23,146	11,885	298,082	24,217	6,280	10,921	1,822	164,141	36
Individuals	21,971	7,493	80,040	4,566	5,195	600	1,822	22,664	0
Corporations	329	4,139	201,212	6,326	730	10,294	0	139,865	36
Qualified intermediary pools	11	37	151	1	150	0	0	1	0
Ireland	35,782	202,478	8,413,652	6,456,046	1,365,270	136,337	18,518	20,615	79,568
Individuals	29,492	20,677	1,110,189	696,711	220,228	11,528	18,518	1,547	70
Corporations	3,719	126,330	6,443,681	5,484,885	589,670	124,515	0	16,627	79,497
Qualified intermediary pools	163	37,039	581,213	169,534	410,836	0	0	0	0
Israel	30,810	28,877	685,631	444,643	61,685	84,222	7,879	43,123	19,200
Individuals	28,393	8,551	105,770	30,811	16,820	15,595	7,879	15,980	0
Corporations	1,513	11,405	369,461	277,025	16,981	47,785	0	5,023	19,200
Qualified intermediary pools	192	5,577	70,769	48,038	22,670	0	0	0	0
Italy	49,374	152,141	2,676,058	1,236,564	965,568	94,146	98,524	33,002	95,759
Individuals	44,674	8,062	282,201	11,830	13,586	14,746	98,524	26,239	0
Corporations	1,800	24,169	537,256	188,254	157,232	77,751	0	3,150	95,759
Qualified intermediary pools	1,533	116,755	1,597,208	817,423	776,999	32	0	0	0
Jamaica	4,869	3,544	61,625	34,008	2,323	9,784	6,181	5,315	0
Individuals	4,354	2,444	21,242	4,000	1,131	1,756	6,181	4,795	0
Corporations	305	1,035	32,812	23,348	1,158	8,017	0	27	0
Qualified intermediary pools	d	d	d	d	d	d	d	d	d
Japan	86,081	214,677	41,078,767	20,987,316	6,054,379	5,007,390	46,845	65,650	7,930,072
Individuals	76,944	8,694	249,171	52,260	24,695	26,673	46,845	49,044	0
Corporations	5,499	103,794	27,202,017	11,360,390	2,745,373	4,761,980	0	10,680	7,788,111
Qualified intermediary pools	596	82,729	8,945,793	6,452,297	2,468,788	0	0	0	0
Jersey	4,744	71,084	2,047,797	1,767,089	238,376	71	0	114	0
Individuals	456	839	6,416	3,322	2,953	35	0	0	0
Corporations	2,368	36,827	1,769,661	1,614,211	113,936	28	0	114	0
Qualified intermediary pools	963	18,684	147,930	81,825	65,777	3	0	0	0
Korea, Republic of (South)	23,606	37,183	1,971,895	1,469,218	29,116	159,550	1,334	33,915	4,657
Individuals	20,774	4,820	88,657	8,893	4,437	2,642	1,334	30,442	0
Corporations	1,030	30,698	598,631	407,788	19,851	155,653	0	3,071	4,657
Qualified intermediary pools	34	91	303,061	302,518	543	0	0	0	0

Footnotes at end of table.

Foreign Recipients of U. S. Income, 2005

Statistics of Income Bulletin | Winter 2009

Table 2. Foreign Recipients of U. S. Income Forms 1042S: Number, U.S. Tax Withheld, and U.S.-Source Income, by Principal Type of Income, Selected Recipient Type, and Selected Country of Recipient, 2005—Continued

[Money amounts are in thousands of dollars]

Selected country or geographic area and selected recipient type	Number of Forms 1042S	U.S. tax withheld [1]	Total U.S.-source income	Principal types of U.S.-source income					
				Interest	Dividends	Rents and royalties	Social Security and railroad retirement payments	Personal services income	Notional principal contract income
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Kuwait	4,044	6,197	717,098	349,189	309,557	249	0	263	1,517
Individuals	3,166	821	4,149	1,046	2,006	237	0	263	0
Corporations	625	4,103	32,193	17,202	13,020	0	0	0	1,517
Qualified intermediary pools	3	6	22	0	23	0	0	0	0
Luxembourg	5,431	435,783	9,849,585	6,799,117	2,370,182	391,040	355	7,772	6
Individuals	1,357	8,571	58,032	427	56,496	34	355	312	0
Corporations	3,299	233,797	6,770,098	4,552,352	1,722,958	376,152	0	226	6
Qualified intermediary pools	478	173,409	2,590,272	1,908,953	519,885	12	0	0	0
Mexico	142,671	142,520	3,304,285	1,582,765	544,123	288,164	182,369	25,563	1,704
Individuals	136,551	84,182	693,287	276,430	107,972	9,872	182,369	18,533	0
Corporations	4,015	49,535	1,014,974	213,799	416,289	273,267	0	5,807	1,704
Qualified intermediary pools	11	229	2,323	26	2,297	0	0	0	0
Netherlands	38,816	107,574	32,587,371	7,508,556	11,332,051	483,766	13,962	299,106	860,036
Individuals	27,475	8,567	89,178	7,281	24,064	6,424	13,962	14,699	64
Corporations	5,684	74,947	19,077,446	4,713,179	1,696,548	390,955	0	10,049	557,290
Qualified intermediary pools	2,172	8,712	158,538	66,245	65,813	9	0	0	0
Netherlands Antilles	5,360	84,445	3,030,434	2,691,638	285,412	8,806	471	81	190
Individuals	2,530	809	77,824	39,108	2,031	318	471	68	0
Corporations	2,436	37,516	548,448	408,622	124,308	8,487	0	11	0
Qualified intermediary pools	62	44,205	2,355,933	2,208,426	147,494	0	0	0	0
New Zealand	16,200	21,296	366,365	194,429	113,705	40,190	1,051	1,448	1,081
Individuals	13,036	2,425	20,086	1,993	7,198	2,802	1,051	1,168	0
Corporations	1,500	15,623	140,138	28,966	69,121	36,185	0	231	1,081
Qualified intermediary pools	20	150	519	12	506	0	0	0	0
Norway	6,263	15,046	3,808,739	2,263,684	565,150	21,604	34	4,427	2,166
Individuals	5,330	973	14,494	1,620	2,655	2,525	34	3,618	0
Corporations	553	9,734	1,665,854	662,267	58,678	18,851	0	235	2,166
Qualified intermediary pools	23	2,806	30,411	5,278	18,708	0	0	0	0
Panama	21,504	29,797	687,497	519,383	145,618	882	1,512	784	0
Individuals	4,486	5,263	83,452	63,072	15,741	96	1,512	726	0
Corporations	16,787	24,234	559,354	412,485	129,450	754	0	19	0
Qualified intermediary pools	8	2	100	92	8	0	0	0	0
Philippines	21,084	18,094	388,906	297,864	12,574	23,998	37,623	6,222	0
Individuals	20,047	13,888	71,069	12,820	5,614	434	37,616	5,667	0
Corporations	349	3,982	55,046	30,405	1,038	23,338	0	8	0
Qualified intermediary pools	3	1	18	14	5	0	0	0	0
Portugal	10,493	12,846	241,921	133,713	19,484	1,070	27,981	2,945	52,313
Individuals	9,936	8,082	60,734	21,522	6,083	186	27,981	2,531	0
Corporations	257	2,317	102,926	47,224	1,210	868	0	413	52,313
Qualified intermediary pools	82	1,266	17,704	13,671	4,029	0	0	0	0
Puerto Rico	9,650	4,003	1,176,214	1,120,652	44,026	441	1,098	290	1,028
Individuals	4,150	480	17,015	13,460	868	172	1,098	23	0
Corporations	4,374	3,192	904,787	883,542	16,907	253	0	267	0
Qualified intermediary pools	0	0	0	0	0	0	0	0	0

Footnotes at end of table.

Foreign Recipients of U.S. Income, 2005

Statistics of Income Bulletin | Winter 2009

Table 2. Foreign Recipients of U. S. Income Forms 1042S: Number, U.S. Tax Withheld, and U.S.-Source Income, by Principal Type of Income, Selected Recipient Type, and Selected Country of Recipient, 2005—Continued

[Money amounts are in thousands of dollars]

Selected country or geographic area and selected recipient type	Number of Forms 1042S	U.S. tax withheld [1]	Total U.S.-source income	Principal types of U.S.-source income					
				Interest	Dividends	Rents and royalties	Social Security and railroad retirement payments	Personal services income	Notional principal contract income
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Saudi Arabia	8,792	13,645	1,197,365	366,611	338,489	290	15	45	0
Individuals	8,128	7,603	37,942	4,410	24,434	270	15	38	0
Corporations	450	5,177	148,047	130,635	15,769	0	0	0	0
Qualified intermediary pools	d	d	d	d	d	d	d	d	d
Singapore	40,235	55,746	3,029,872	1,354,294	1,331,906	10,550	128	1,161	238
Individuals	35,834	6,529	44,510	17,524	18,929	611	128	413	0
Corporations	2,488	39,304	988,798	668,662	53,963	9,850	0	398	238
Qualified intermediary pools	208	7,140	190,982	166,306	24,402	3	0	0	0
Spain	30,192	42,333	928,887	544,741	207,023	61,457	26,860	19,939	10,445
Individuals	27,298	10,576	91,320	24,758	14,929	5,452	26,860	6,941	0
Corporations	1,735	13,932	385,856	194,157	84,960	55,353	0	1,566	10,445
Qualified intermediary pools	412	15,974	365,691	259,528	106,014	0	0	0	0
Sweden	23,190	62,914	3,710,037	1,688,012	809,378	818,910	11,039	23,089	38,989
Individuals	20,531	5,842	60,392	2,686	6,511	3,544	11,039	20,295	0
Corporations	863	28,046	2,352,411	1,226,033	218,617	813,520	0	911	38,989
Qualified intermediary pools	64	26,018	413,045	117,534	295,501	0	0	0	0
Switzerland	41,285	336,905	26,657,493	17,383,140	1,771,205	4,753,057	13,243	22,772	1,055,943
Individuals	31,617	14,472	210,374	40,399	60,652	39,985	13,243	10,315	3,870
Corporations	5,112	53,825	22,424,544	14,947,864	502,840	4,551,524	0	3,081	1,027,346
Qualified intermediary pools	2,338	224,248	2,264,216	1,105,676	1,104,609	700	0	0	0
Taiwan	80,870	51,608	5,011,793	4,203,337	152,460	5,404	264	2,949	4,476
Individuals	75,317	23,226	227,068	132,034	62,204	562	264	2,571	0
Corporations	2,799	16,578	2,122,696	1,957,255	45,359	4,745	0	305	4,476
Qualified intermediary pools	5	0	1	0	1	0	0	0	0
United Arab Emirates	7,633	6,497	832,343	180,916	538,065	178	17	167	0
Individuals	6,984	2,847	14,499	8,981	3,484	143	17	162	0
Corporations	332	2,044	118,236	46,490	5,480	34	0	3	0
Qualified intermediary pools	13	3	20	9	12	0	0	0	0
United Kingdom	274,440	423,265	51,510,423	25,315,474	10,011,107	3,742,408	97,645	254,970	9,877,877
Individuals	238,229	54,337	1,027,151	277,500	229,365	183,906	97,645	71,589	0
Corporations	17,383	225,253	43,197,204	20,360,851	7,913,576	3,439,243	0	31,586	9,821,676
Qualified intermediary pools	2,792	64,086	4,043,727	3,341,939	464,099	47,804	0	0	0
Venezuela	44,451	58,184	1,244,976	168,911	1,041,059	2,730	1,236	8,466	8,223
Individuals	41,035	4,364	128,660	96,150	12,104	1,892	1,236	7,332	0
Corporations	2,980	52,674	1,106,406	68,428	1,027,519	328	0	900	8,223
Qualified intermediary pools	3	0	37	37	1	0	0	0	0

[1] Unrelated business income paid to foreign tax-exempt organizations is subject to withholding tax.

d—Not shown to avoid disclosure of information about specific taxpayers. However, the data are included in the appropriate totals.

NOTES: Detail may not add to totals because of rounding. Form 1042S is entitled "Foreign Person's U.S. Source Income Subject to Withholding." All countries with total U.S.-source income over \$100 million for Tax Year 2005 were selected for this table.

Projections of Federal Tax Return Filings: Calendar Years 2008-2015

by Jeff Matsuo

Projections of tax return filings prepared by Internal Revenue Service (IRS) research staff show that a grand total of 240 million tax returns are expected to be filed with IRS during Calendar Year (CY) 2009. This number represents a decrease of 4.3 percent from estimated CY 2008 filings of 250.8 million returns. The primary cause of the large decrease in total returns from 2008 to 2009 is the Economic Stimulus Act of 2008. In February 2008, the stimulus program was signed into law. As a result, the volume of Form 1040, 1040A and 1040EZ returns are estimated to have increased by approximately 14.4 million returns above baseline projections in CY 2008. Adjusting for spillover effects of the Economic Stimulus Package, the projected total volume decreases back to its historical trend at the national level.

This decrease in return counts also reflects the expected recessionary period in the U.S. economy and its implications on tax returns. Historically, recessionary periods have shown increases in unemployment which result in decreases in taxable income. Hence, overall individual tax return filings may decrease as projections indicate.

After CY 2009, grand total return filings are projected to grow at a more common average annual rate of 1.1 percent and are expected to reach 256.9 million returns by 2015. The average rate of growth is derived mainly by projected trends for major return categories that comprise grand total filings, including individual income tax returns and business tax returns such as employment tax returns, corporation tax returns, partnership returns, and estate tax returns.

In addition, projections for total electronic returns continue to show a steady increase over the forecast. This growth of electronic filing furthers IRS's strategic goal to improve taxpayer service. For example, according to the most recent forecast, total individual electronic returns are projected to be 58 percent of all

individual income tax returns filed in 2008 and to constitute 78 percent of all returns in 2015.

Trend in Grand Total Returns

Table 1 shows the most current forecasts for major form types for Calendar Years 2008 to 2015. In preparing these forecasts, partial-year data through late summer 2008 were used to derive estimates for the year. Various elements that may affect the IRS workload are carefully considered during estimation. These include economic and demographic trends, recent filing patterns, legislation, and administrative changes. The total number of returns consists of two filing mediums—paper and electronic. The “grand total” category includes individual, fiduciary, corporation, employment, partnership, exempt organization, government entity, political organization, estate, gift, excise, estimated tax vouchers, and other forms as described in Table 1.^{1,2}

“Total primary returns” include the three major tax return categories that represent the bulk of the forms processed by the IRS operations. Individual income tax returns comprise 58.3 percent of the grand total. Employment tax returns comprise 12.9 percent, and individual estimated tax payment vouchers make up 13 percent. In 2007, these three categories constituted approximately 84 percent of total return filings.

Figure A presents a list of growth rates for selected form types from 2008 to 2009 and the average annual change over the period 2009 to 2015. In CY 2009, approximately 240 million returns are projected to be filed. This is a 4.3-percent decrease over estimated 2008 filings of 250.8 million. The decrease in grand total reflects a decrease in paper filings of 11.5 percent for a total of 132.8 million returns from 150 million returns in 2008.

Figure A also shows average annual growth rate over the period 2009-2015. The average annual growth rate is expected to be 1.1 percent, reaching 256.9 million in 2015. This growth rate in grand total reflects a general shift among taxpayers from paper filing to electronic filing. According to current trends, decreasing paper filing patterns will continue,

Jeff Matsuo is an Operations Research Analyst with Projections and Forecasting, Office of Research. This article was prepared under the direction of John Guyton, Chief.

¹ Most of the values in Table 1 are reported in *Calendar Year Return Projections for the United States and IRS Campuses: 2007-2015*, IRS Document 6186, October 2008, National Headquarters Office of Research, Analysis, and Statistics, Internal Revenue Service, U.S. Department of the Treasury.

² Throughout the year, the Forecasting and Service Analysis (FSA) under IRS National Headquarters Office of Research publishes forecasts of a large number of tax return filings and other IRS workload categories. These projections provide a foundation for IRS workload estimates/resource requirements contained in budget submissions and also help with other major IRS planning and analysis efforts.

Projections of Federal Tax Return Filings: Calendar Years 2008-2015

Statistics of Income Bulletin | Winter 2009

Figure A

Projected Increase (Decrease) in Selected Tax Return Filings: Calendar Years 2008-2015

Type of return	Estimated 2008	Projected 2009	Percentage increase over 2008	Projected 2015	Average annual percentage increase 2009-2015
	(1)	(2)	(3)	(4)	(5)
Grand total	250,786,600	239,998,500	-4.3	256,914,600	1.1
Paper grand total	150,004,200	132,797,000	-11.5	121,050,200	-1.5
Electronic grand total	100,782,400	107,201,500	6.4	135,864,400	4.0
Individual, total	153,544,200	141,166,300	-8.1	146,740,600	0.6
Forms 1040, 1040A, and 1040EZ	152,661,500	140,240,900	-8.1	145,599,200	0.6
Total individual paper returns	64,209,500	46,946,300	-26.9	31,112,400	-6.6
Form 1040	38,899,700	36,312,500	-6.7	21,672,100	-8.2
Form 1040A	16,157,300	4,899,800	-69.7	5,118,400	0.8
Form 1040EZ	9,152,500	5,734,000	-37.4	4,321,900	-4.5
Total individual electronic returns	88,452,000	93,294,600	5.5	114,486,800	3.5
Online filing	26,511,000	29,583,800	11.6	36,554,000	3.6
Practitioner electronic filing	61,941,000	63,710,800	2.9	77,932,800	3.4
Form 1040NR/NR-EZ/C	655,500	684,700	4.5	819,700	3.0
Forms 1040PR and 1040SS	227,200	240,700	5.9	321,700	5.0
Individual estimated tax, Form 1040-ES, total	29,275,600	29,401,000	0.4	31,742,700	1.3
Form 1040-ES, paper	29,174,200	29,286,900	0.4	31,543,400	1.2
Form 1040-ES, electronic (credit card)	101,400	114,100	12.5	199,300	9.7
Partnership, Forms 1065/1065B, total	3,356,000	3,561,900	6.1	4,650,500	4.5
Paper partnership returns	2,681,100	2,675,300	-0.2	3,040,300	2.2
Electronic partnership returns	674,900	886,600	31.4	1,610,300	10.6
Corporation, total	6,820,400	7,022,000	3.0	8,199,600	2.6
Paper corporation returns, total	5,502,500	5,135,300	-6.7	4,512,600	-2.1
Electronic corporation returns, total	1,317,900	1,886,700	43.2	3,687,000	12.1
Form 1120 and 1120-A total	2,193,600	2,184,900	-0.4	2,141,200	-0.3
Form 1120/1120-A electronic	350,500	495,600	41.4	867,900	10.1
Form 1120F, total	28,600	29,300	2.4	33,600	2.3
Form 1120FSC, total	600	0	-100.0	0	0
Form 1120H, total	216,200	227,700	5.3	297,000	4.5
Form 1120RIC, total	11,600	11,800	1.7	12,900	1.5
Form 1120S, total	4,353,700	4,551,700	4.5	5,695,200	3.8
Form 1120S, electronic	967,500	1,391,100	43.8	2,819,100	12.8
Forms 1120L/ND/PC/REIT/SF, total	12,500	13,100	4.8	16,300	3.7
Form 1120C, total	3,500	3,500	0	3,200	-1.5
Employment, total	30,578,400	30,641,900	0.2	31,604,400	0.5
Paper employment returns	24,396,300	24,274,900	-0.5	23,886,400	-0.3
Electronic employment returns	6,182,000	6,367,000	3.0	7,718,100	3.3
Forms 940, 940EZ, and 940PR, total	6,154,100	6,183,800	0.5	6,558,100	1.0
Forms 940, 940EZ, and 940PR, paper	4,972,000	4,939,000	-0.7	4,875,900	-0.2
Form 940, e-file/online/XML	1,182,100	1,244,800	5.3	1,682,300	5.1
Forms 941, 941PR/SS/E, total	23,623,900	23,549,200	-0.3	23,955,100	0.3
Forms 941, 941PR/SS/E, paper	18,636,400	18,442,800	-1.0	17,941,400	-0.5
Form 941, e-file/online/XML	4,987,600	5,106,500	2.4	6,013,700	2.8
Forms 943, 943PR and 943SS	243,500	237,400	-2.5	213,400	-1.8
Form 944, total	425,300	543,900	27.9	765,200	6.0
Form 944 paper	412,900	528,200	27.9	743,100	6.0
Form 944 e-file	12,400	15,700	26.6	22,100	6.0
Form 945	129,700	125,600	-3.2	110,700	-2.1
Form CT-1	1,900	1,900	0	1,900	0
Exempt organization, total	1,132,700	1,143,700	1.0	1,359,200	3.0
Paper exempt organization, total	855,800	841,100	-1.7	718,900	-2.5
Electronic exempt organization, total	276,900	302,600	9.3	640,300	13.3
Form 990, total	423,000	325,000	-23.2	481,400	7.0
Form 990, electronic	44,800	47,300	5.6	184,300	26.1
Form 990EZ, total	156,800	269,200	71.7	107,100	-9.9
Form 990EZ, electronic	10,300	25,200	144.7	29,400	7.5

Footnotes at end of figure.

Projections of Federal Tax Return Filings: Calendar Years 2008-2015

Statistics of Income Bulletin | Winter 2009

Figure A—Continued

Projected Increase (Decrease) in Selected Tax Return Filings: Calendar Years 2008-2015—Continued

Type of return	Estimated 2008	Projected 2009	Percentage increase over 2008	Projected 2015	Average annual percentage increase 2009-2015
	(1)	(2)	(3)	(4)	(5)
Exempt organization total--continued					
Form 990-N	217,000	222,600	2.6	400,700	10.4
Form 990PF	90,700	91,700	1.1	97,900	1.1
Form 990PF, electronic	4,700	7,500	59.6	26,000	23.3
Form 990T	117,000	106,800	-8.7	143,100	5.0
Form 4720	2,200	2,300	4.5	2,700	2.7
Form 5227	126,000	126,100	0.1	126,300	0.0
Supplemental documents, total	20,301,400	21,205,300	4.5	26,202,700	3.6
Form 1040X, total	4,517,200	4,728,300	4.7	5,412,700	2.3
Form 4868, total	9,482,700	9,921,000	4.6	12,433,900	3.8
Form 4868, paper	7,700,500	8,011,200	4.0	9,067,800	2.1
Form 4868, electronic	1,782,200	1,909,800	7.2	3,366,100	9.9
Credit card	66,400	69,200	4.2	81,300	2.7
E-file	1,715,800	1,840,600	7.3	3,284,800	10.1
Form 1120X	3,100	3,100	0	3,000	-0.5
Form 5558	402,000	402,000	0	402,000	0
Form 7004, total	5,367,800	5,610,600	4.5	7,389,200	4.7
Form 7004, electronic	1,176,000	1,563,400	32.9	2,810,900	10.4
Form 8868, total	528,500	540,200	2.2	561,900	0.7
Form 8868, electronic	56,400	84,300	49.5	228,400	18.4

NOTES: For definitions of most of the form numbers, see the text discussion and the footnotes to Table 1, at the end of this article. Detail may not add to total due to rounding.

with an average annual rate of 1.5 percent for a total of 121.1 million by 2015. Meanwhile, electronic filings or “e-file” will increase at an average rate of 4.0 percent to reach 135.9 million within the same timeframe.

Telephone Excise Tax Refund, Economic Stimulus Package, and Their Impact on the Grand Total

Telephone Excise Tax Refund

The Treasury Department stopped collecting Federal excise tax for long-distance telephone service on August 1, 2006. In 2007, the IRS implemented a program for taxpayers to receive refunds for the portion of their excise taxes collected on long-distance service billed between February 28, 2003, and August 1, 2006. This program is known as the Telephone Excise Tax Refund (TETR). Eligible individuals without tax filing requirements were directed to use Form 1040EZ-T, *Request for Refund of Federal Telephone Excise Tax*. However, some of the “TETR only” (filing only to receive the TETR)

population requested their TETR claims using traditional Forms 1040, 1040A, or 1040EZ instead of the simpler Form 1040EZ-T specifically designed for those without tax filing requirements. Therefore, the reported volumes include some marginal effects of TETR claims on estimated CY 2008 returns. This is shown by the greater than expected increase in the Form 1040 series in CY 2007. Taxpayers who subsequently wish to claim TETR may file an amended tax return for 2006 by filing Form 1040X, *Amended U.S. Individual Income Tax Return*. Those who did not have a filing requirement in 2006 can still use Form 1040EZ-T to request the refund. Qualified taxpayers among exempt organizations may also file Form 990-T to request the refund.

Economic Stimulus Package

In an effort to stimulate the economy, the Economic Stimulus Act of 2008 was signed into law in February 2008. It provides tax rebates to qualifying low- and middle-income taxpayers. An estimated 130 million households are expected to have received rebates during Processing Year 2008. Eligible taxpayers would trigger them by filing a Tax Year

Projections of Federal Tax Return Filings: Calendar Years 2008-2015

Statistics of Income Bulletin | Winter 2009

(TY) 2007 individual income tax return. Eligibility requirements mainly consist of having a valid Social Security number and either an income tax liability or qualifying income of at least \$3,000. Qualifying income includes earned income and certain benefits from Social Security, Veterans Affairs and/or Railroad Retirement. Eligible individuals who claimed rebates by filing a Federal income tax return for TY 2007 (Forms 1040, 1040A, and 1040EZ, including electronically filed returns) are estimated to have increased by around 14.4 million to generate about 152.7 million returns in 2008. CY 2009 projections of approximately 140.2 million presented in the tables contain adjustments for residual spillover effects of the stimulus program, since those individuals not eligible or who did not participate still have an opportunity to claim the tax credit in 2009. Other adjustments include some longer-term spillover effects on EITC participants and corresponding requisite filing among otherwise nonfiling taxpayers.

Changes in Forms 990, 990-N, 5500SF and Their Impact on the Grand Total

Form 990 and New Form 990-N

The IRS has revised the requirement to file the Form 990 series starting from TY 2008 over a 3-year period. Filers will be allowed to file Form 990-EZ in lieu of Form 990. For Tax Year 2008 (returns filed in 2009), organizations with gross receipts less than \$1.0 million and total assets less than \$2.5 million may file Form 990-EZ. For Tax Year 2009 (returns filed in 2010), organizations with gross receipts less than \$500,000 and total assets less than \$1.25 million may file Form 990-EZ. The Form 990-EZ filing thresholds will be adjusted permanently to gross receipts less than \$200,000 and total assets less than \$500,000, beginning with Tax Year 2010.

Figure A shows an estimated total of 423,000 Forms 990, *Return of Organization Exempt From Income Tax*, to be filed in 2008. In 2009, this total will decline to 325,000 returns, a reduction of approximately 98,000. However, from 2008 to 2009, Forms 990-EZ, *Short Form Return of Organization Exempt From Income Tax*, are estimated to be 157,000 to 269,000 returns. In summary, the projected level reflects a 2.5-percent increase.

Beginning in CY 2008, the Pension Protection Act of 2006 requires small organizations with gross receipts of less than \$25,000 to file new Form 990-N, also known as the “e-Postcard” on an annual basis. If organizations fail to file Form 990-N for 3 consecutive years, their tax-exempt status will be revoked. Form 990-N can only be filed electronically.

As Table 1 shows, approximately 217,000 returns are expected to be filed in 2008. As a result, the participation rate of “total electronic exempt organizations returns” to “total exempt organizations” dramatically increases from 4.1 percent in 2007 to 24.5 percent in 2008. This increase in e-file volume contributed to the increase in “electronic grand total” over the same period.

New Form 5500-SF

The Form 5500 series includes multiagency information returns filed to satisfy reporting requirements to the Internal Revenue Service, the Department of Labor (DOL), and the Pension Benefit Guaranty Corporation. The Form 5500 series has been processed by DOL since CY 2000. However, DOL is creating a system to support the electronic filing mandate for Form 5500 returns satisfying reporting requirements under Title I of ERISA. Since some necessary IRS data fall outside the scope of Title I, IRS will regain responsibility for processing portions of Form 5500 data in the future.

As part of revisions to the Form 5500 series, Form 5500-SF, *Short Form Annual Return/Report of Employee Benefit Plan*, was introduced to certain small pension and welfare benefit plans. Form 5500-SF is generally available to plans that: 1) have fewer than 100 participants; 2) are eligible for the small plan audit waiver; 3) hold no employer securities; 4) have 100 percent of assets in investments that have a readily determinable fair market value; and 5) are not multiemployer plans. Most Form 5500-SF filers will not be required to file any schedules. Form 5500-SF must be filed electronically from Plan Year 2009.

Trend in Individual Tax Returns

“Individual, Total” returns include paper and electronic portions of the major individual tax returns. These are Forms 1040 and 1040-A, *U.S. Individual Income Tax Return*, 1040EZ, *Income Tax Return for*

Projections of Federal Tax Return Filings: Calendar Years 2008-2015

Statistics of Income Bulletin | Winter 2009

Single and Joint Filers with No Dependents, Form 1040NR, *U.S. Non-Resident Alien Income Tax Return*, Form 1040-PR, *Planilla para la Declaracion de la Contribucion Federal Sobre El Trabajo Por Cuenta Propia—Puerto Rico*, and Form 1040-SS, *U.S. Self-Employment Tax Return*. This category excludes Form 1040X, *Amended U.S. Individual Income Tax Return*, which is included under the “supplemental documents” heading.

This category constitutes the largest volume of tax return filings. The number of individual tax returns filed is projected to reach 153.5 million in 2008. As mentioned earlier, this estimate delineates an unusually large increase of 10.9 percent over CY 2007 filings of 139.2 million mainly due to the Economic Stimulus Act of 2008. Since projections for 2009 only include residual spillover effects of the stimulus program, the projection for 2009 will decline to a total of 141.2 million.

After 2009, this series is expected to grow at an average annual rate of 0.6 percent until 2015. This projected growth is tied mainly to the expected increase in U.S. employment over the same period. At this rate, the projected number of total individual returns filed will be 146.7 million by 2015.

Trend in Individual Estimated Tax Returns

Form 1040-ES, *U.S. Estimated Tax for Individuals*, is used by individual taxpayers who need to make advance tax payments. Such filers are typically those who expect their tax withholding to be less than 90 percent of their federal tax liability for the year due to additional income, such as earnings from self-employment, interest, dividends, rents, and alimony. Individual taxpayers who make estimated tax payments often file more than one voucher (Form 1040-ES) during the course of the year, usually one per quarter.

Form 1040-ES represents the third largest share of the 2008 grand total. Although the initial Form 1040-ES filing experience from 2007 to 2008 indicates a decrease in return volume, the number of Form 1040-ES filings is projected to grow beyond 2008, based on the underlying long-term trend. In 2009, approximately 29.4 million individual estimated tax vouchers are expected to be filed, an increase of 0.4 percent over the 29.3 million vouchers expected in 2008. A total of 31.7 million returns are projected to be filed by 2015, indicating an average annual growth rate of 1.3 percent from 2008 to 2015.

Trend in Business and Other Tax Returns

Employment Tax Returns

Paper and electronic versions of several business-related tax forms fall under the heading of “Employment, Total” returns. These forms include: Form 940 series, *Employer’s Annual Federal Unemployment (FUTA) Tax Return*; Form 941 series, *Employer’s Quarterly Federal Tax Return*; Form 943 series, *Employer’s Annual Federal Tax Return for Agricultural Employees*; Form 944, *Employer’s Annual Federal Tax Return* which will be an annualized version of Form 941; Form 945, *Annual Return of Withheld Federal Income Tax*; and Form CT-1, *Employer’s Annual Railroad Tax Return*.

In 2007 and 2008, the employment tax returns constitute the second largest share of the grand total. The interplay between the introduction of the annual Form 944, and the scaling back of the quarterly Form 941 combined with the decreasing trend of Form 943 and Form 945 results in a projected 0.5-percent drop in total employment return filings from 2007 to 2008. Beyond this point, the projected annual rate of growth over the entire forecast is a more typical 0.5 percent. Projected filings of Forms 940 and 941 comprise the bulk of employment tax returns. Their projected growth over the 2008-2015 period is tied mainly to expected trends in U.S. employment and real gross domestic product.

Corporation Tax Returns

Corporation income tax returns include a number of form types. The vast majority of these returns use Form 1120, *U.S. Corporation Income Tax Return*; Form 1120A, *U.S. Corporation Short-Form Income Tax Return*; or Form 1120S, *U.S. Income Tax Return for an S Corporation* (returns filed by qualifying corporations electing to be taxed through shareholders). The remainder of corporation income tax returns is filed by such entities as homeowners’ associations (Form 1120H), foreign corporations (Form 1120F), and real estate investment trusts (Form 1120REIT), among others. Amended returns (Form 1120X) are not included under corporation income tax returns, but are instead listed under “supplemental documents.” In CY 2008, the projected number of corporation returns filed is 6.8 million. This is nearly a 3.0-percent increase over CY 2007. It is expected that these returns will continue

Projections of Federal Tax Return Filings: Calendar Years 2008-2015

Statistics of Income Bulletin | Winter 2009

to increase, to 8.2 million by CY 2015, as shown in Table 1.

Partnership Returns

Form 1065, *U.S. Partnership Return of Income*, is filed by a partnership to report income, deductions, tax credits, or losses. The projected number of these returns expected in CY 2008 is 3.4 million. This number, an increase of 6.6 percent over CY 2007, is projected to keep increasing at an average rate of 4.5 percent per year. The number of partnership returns filed is expected to increase to 4.7 million by CY 2015. Form 1065B, *U.S. Large Partnership Return of Income*, is also included in partnership returns. This form was introduced in CY 1999, and a relatively small number of Form 1065B returns have been filed.

Estate Tax Returns

The estate tax and generation-skipping transfer (GST) taxes are scheduled to be repealed on January 1, 2010, under Title V of the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA). However, the estate tax repeal and all other provisions of EGTRRA are scheduled to sunset on December 31, 2010. If the sunset provision is not repealed in 2011, estate tax law would return to the law in place prior to the enactment of EGTRRA on June 7, 2001. Accordingly, the estate tax exclusion amount would have risen to \$1 million under the prior law. Estimates developed in these projections reflect the provisions of EGTRRA.

Trends in Electronic Filing (E-file)

Individual Returns

As Table 1 indicates, 79.9 million individual income tax returns were filed electronically in 2007, and 88.5 million electronic returns are expected in 2008, representing a 10.8-percent increase. The projection for 2009 is 93.3 million returns, which represents another robust increase of 5.5 percent. E-file volume is expected to grow at an average rate of 3.5 percent per year, reaching a total of 114.5 million by 2015.

The projected e-file pattern for individual returns in 2008-2011 is stronger growth in the initial forecast years followed by somewhat slower growth in the later years. This growth pattern is typical for technology adoption and diffusion. Furthermore, pro-

jected growth in e-file is much steeper than overall growth in total individual return filings. Hence, under current trends, roughly 78 percent of individual income tax returns are projected to be filed electronically by 2015.

As reported in Table 1, "Total Individual Electronic Returns" are made up of two e-file categories: i) online filing and ii) practitioner e-file. Online filing enables taxpayers to use a computer, tax preparation software, and the Internet to file their returns. Online filing includes the "Free File" option, which is accessible from the IRS Web site and involves a public-private partnership between IRS and the Free File Alliance, a consortium of tax preparation software companies. In the case of practitioner electronic filing, taxpayers use a paid preparer to prepare and file their returns electronically.

Within the e-file categories, about 22.5 million people used online filing in 2007. That number has grown to 26.5 million in 2008, a 17.7-percent increase. Meanwhile, practitioners are expected to file 61.9 million returns electronically in 2008, up 8 percent over the 57.3 million returns filed in 2007.

Various initiatives further encourage the growth of individual electronic filing. One is the IRS "e-services" program. The e-services program is open to professional tax preparers who e-filed five or more accepted individual or business returns during a filing season. The program provides a suite of Web-based products that allow tax professionals to conduct business with the IRS electronically. These products include disclosure authorization, electronic account resolution, and transcript delivery system. Authorized agents who submit (any of six) information returns subject to backup withholding can also make use of TIN (Taxpayer Identification Number) matching with e-services.

Business Returns

IRS also continues to enhance its business e-file programs under the aegis of the Modernized e-File (MeF) platform. Most of the common business tax forms are now available for e-file either through MeF or other electronic filing systems. This includes fiduciary (Form 1041), partnership (Form 1065), corporation (Forms 1120, 1120S), employment (Forms 940, 941, and 944), and tax-exempt (Forms 990, 990-EZ, 990-PF, and 990-N) returns.

Projections of Federal Tax Return Filings: Calendar Years 2008-2015

Statistics of Income Bulletin | Winter 2009

Treasury regulations issued in 2005 mandate electronic filing of Federal returns for some large corporations and tax-exempt organizations whose assets exceed certain dollar thresholds. However, e-file mandates only apply to those corporations and tax-exempt entities that file at least 250 other returns with IRS during a calendar year, such as employment returns, excise tax returns, and information reporting documents like Forms W-2, 1099-DIV, and Schedules K-1. E-file mandates required corporations with gross assets of at least \$50 million to e-file their Forms 1120 or 1120S beginning in Calendar Year 2006. This requirement was expanded to corporations with at least \$10 million in gross assets, effective 2007.

Figure A shows that 350,500 Form 1120 and 967,500 Form 1120S returns are estimated to have been e-filed in 2008. Assuming growth patterns typical of innovative technology-based products, the forecast for 2009 is 495,600 for the former and 1.4 million for the latter. These represent increases of 41.4 percent for Form 1120 and 43.8 percent for Form 1120S. In subsequent years, e-filed Forms 1120/1120S are both expected to grow rapidly. About 867,900 Form 1120 returns and nearly 2.8 million Form 1120S returns are projected to be filed electronically by 2015.

Tax-exempt organizations with \$10 million or more in total assets were also required to file their Forms 990 electronically in 2007. Also impacted were private foundations and charitable trusts which were required to file their Forms 990-PF, *Return of Private Foundation*, electronically, starting in 2007, regardless of asset size. However, the additional criterion limiting its scope to only organizations filing at least 250 other tax returns results in a relatively small number of affected tax-exempt filers. Around 10,000 tax-exempt organizations were estimated to be covered by the e-file mandate in Filing Year 2007. The new Form 990-N will also be effective, starting from 2008. This will increase the modest e-filing percentage for exempt organizations by a noticeable amount.

Figure A shows that around 36,000 Forms 990, 990EZ, and 990-PF were filed electronically in 2007. With the help of the mandates and Form 990-N, tax-exempt e-file returns are expected to reach 276,900 for 2008. In the long term, 640,300 exempt organization returns are expected electronically by 2015.

In 2008, over 6.2 million employment returns were filed electronically. According to current projections, the number of e-filed returns is expected to grow steadily. Based on that trend, the total number of e-filed employment returns (i.e., Forms 940, 941, and 944) is expected to be 7.7 million by 2015, growing at an average annual rate of 3.3 percent over this period.

Data Sources

The reported actual volumes of returns filed in Calendar Year 2007 by form type and filing medium are based primarily on filings recorded on IRS master files. With few exceptions, these volumes are the same as those reported in the Internal Revenue Service Data Book (Publication 55B). However, master file counts were not available in a few instances. In these cases, tallies of actual filings were provided by program staff in IRS operating divisions, typically from data capture systems located in IRS processing campuses. For Calendar Year 2008, master file data through August were generally available. Partial-year data were extrapolated in order to generate estimates for Calendar Year 2008.

Projection Methodology

Each major form type is forecast separately using either a time series or linear regression model. Time series models use historical data for a form type to make predictions based on patterns exhibited by the data. Some of the most common time series models used were trended exponential smoothing and lower order Box-Jenkins ARIMA models. These models were applied for such return series as corporation (Forms 1120, 1120A, and 1120S), partnership (Form 1065), and excise (Forms 720, 730, and 2290) tax returns.

In other instances, models based on linear regression analysis were used with such independent (“predictor”) variables as gross domestic product and employment. For these models, forecasts of independent variables were provided by Global Insight, Inc. For example, linear regression models incorporating economic and demographic variables were used to project the individual income tax return series and employment Forms 940 and 941.

Legislative and administrative changes approved for future implementation and not captured in the sta-

Projections of Federal Tax Return Filings: Calendar Years 2008-2015

Statistics of Income Bulletin | Winter 2009

tistical models are also factored into tax return forecasts as “off-model adjustments.” This was the case in developing projections for the new exempt organization Form 990-N. Analysis of the impact of similar events in the past, as well as input from subject-matter experts, is used to develop these “off-model adjustments.” However, such adjustments are made

only for enacted tax law changes and confirmed (or reasonably certain) administrative plans and exclude initiatives that are simply under consideration. This is particularly true of e-filed returns. As a result, e-file forecasts presented in this article are not IRS goals and should not be interpreted as precluding an alternative e-file future.

Projections of Federal Tax Return Filings: Calendar Years 2008-2015

Statistics of Income Bulletin | Winter 2009

Table 1. Total Number of Returns To Be Filed with the Internal Revenue Service: Calendar Years 2008-2015

Type of return	Actual 2007	Estimated 2008 [1]	Projected						
			2009	2010	2011	2012	2013	2014	2015
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Grand total [2]	238,083,255	250,786,600	239,998,500	242,638,800	245,266,000	248,822,400	251,844,800	254,400,900	256,914,600
Paper grand total	146,932,284	150,004,200	132,797,000	128,830,900	124,985,400	123,874,700	122,994,800	121,813,500	121,050,200
Electronic grand total	91,150,971	100,782,400	107,201,500	113,807,900	120,280,600	124,947,700	128,850,000	132,587,400	135,864,400
Total primary returns [3]	217,861,464	230,485,200	218,793,200	220,577,200	222,313,300	225,009,500	227,193,800	228,963,300	230,711,900
Individual, total [4]	139,171,420	153,544,200	141,166,300	141,864,700	142,562,900	144,129,700	145,287,600	146,026,400	146,740,600
Forms 1040, 1040A, and 1040EZ [5]	137,725,325	152,661,500	140,240,900	140,903,300	141,565,500	143,096,300	144,218,200	144,921,000	145,599,200
Total individual paper returns	57,863,242	64,209,500	46,946,300	42,592,900	38,207,900	36,324,600	34,665,700	32,697,700	31,112,400
Form 1040 [6]	40,166,007	38,899,700	36,312,500	32,674,500	28,927,900	27,012,400	25,204,600	23,275,100	21,672,100
Form 1040A	8,337,268	16,157,300	4,899,800	4,791,200	4,549,300	4,668,500	4,861,500	4,973,300	5,118,400
Form 1040EZ	9,359,967	9,152,500	5,734,000	5,127,200	4,730,700	4,643,700	4,599,500	4,449,300	4,321,900
Total individual electronic returns	79,862,083	88,452,000	93,294,600	98,310,400	103,357,600	106,771,700	109,552,500	112,223,300	114,486,800
Online filing	22,533,362	26,511,000	29,583,800	31,735,200	33,738,500	34,797,400	35,880,700	36,189,600	36,554,000
Practitioner electronic filing	57,328,721	61,941,000	63,710,800	66,575,200	69,619,100	71,974,300	73,971,800	76,033,700	77,932,800
Form 1040NR/NR-EZ/C/EZ-T	1,321,784	655,500	684,700	707,200	729,700	752,200	774,700	797,200	819,700
Forms 1040PR and 1040SS	124,311	227,200	240,700	254,200	267,700	281,200	294,700	308,200	321,700
Individual estimated tax, Form 1040-ES, total	30,897,249	29,275,600	29,401,000	29,792,200	30,183,100	30,573,600	30,963,700	31,353,400	31,742,700
Form 1040-ES, paper	30,805,582	29,174,200	29,286,900	29,665,000	30,042,300	30,418,800	30,794,500	31,169,400	31,543,400
Form 1040-ES, electronic (credit card)	91,667	101,400	114,100	127,200	140,800	154,800	169,200	184,100	199,300
Fiduciary (Form 1041), total	3,729,793	3,124,800	3,194,500	3,264,200	3,333,900	3,403,600	3,473,300	3,543,000	3,612,700
Paper fiduciary returns	2,341,672	2,382,600	2,426,900	2,471,200	2,515,600	2,559,900	2,604,200	2,648,500	2,692,900
Electronic fiduciary returns	1,388,121	742,300	767,600	793,000	818,400	843,700	869,100	894,500	919,900
Fiduciary estimated tax, Form 1041-ES	805,407	774,500	774,500	774,500	774,500	774,500	774,500	774,500	774,500
Partnership, Forms 1065/1065B, total	3,146,994	3,356,000	3,561,900	3,764,800	3,965,000	4,142,700	4,316,100	4,485,300	4,650,500
Paper partnership returns	2,681,286	2,681,100	2,675,300	2,687,200	2,728,300	2,783,700	2,858,800	2,946,100	3,040,300
Electronic partnership returns	465,708	674,900	886,600	1,077,600	1,236,700	1,359,000	1,457,300	1,539,100	1,610,300
Corporation, total	6,619,777	6,820,400	7,022,000	7,224,200	7,426,300	7,620,800	7,814,500	8,007,400	8,199,600
Paper corporation returns	5,745,530	5,502,500	5,135,300	4,799,300	4,568,700	4,450,400	4,421,800	4,450,600	4,512,600
Electronic corporation returns	874,247	1,317,900	1,886,700	2,424,900	2,857,700	3,170,300	3,392,700	3,556,800	3,687,000
Form 1120 and 1120-A total [7]	2,203,943	2,193,600	2,184,900	2,176,200	2,167,500	2,161,000	2,154,400	2,147,800	2,141,200
Form 1120/1120-A electronic	239,808	350,500	495,600	630,300	732,700	799,500	838,000	858,300	867,900
Form 1120F, total	27,605	28,600	29,300	30,000	30,700	31,400	32,200	32,900	33,600
Form 1120FSC, total	595	600	0	0	0	0	0	0	0
Form 1120H, total	204,958	216,200	227,700	239,300	250,800	262,400	273,900	285,500	297,000
Form 1120RIC, total	11,356	11,600	11,800	12,000	12,200	12,400	12,600	12,800	12,900
Form 1120S, total	4,155,830	4,353,700	4,551,700	4,749,600	4,947,500	5,135,600	5,322,900	5,509,400	5,695,200
Form 1120S, electronic	634,439	967,500	1,391,100	1,794,600	2,125,000	2,370,800	2,554,600	2,698,600	2,819,100
Forms 1120L/ND/PC/REIT/SF, total [8]	11,944	12,500	13,100	13,600	14,200	14,700	15,300	15,800	16,300
Form 1120C, total [9]	3,546	3,500	3,500	3,400	3,400	3,300	3,300	3,300	3,200
Small Corporation Election, Form 2553	516,505	508,700	500,900	493,100	485,300	477,500	469,700	462,000	454,200
"REMIC," Form 1066	30,045	32,100	34,000	35,600	36,900	38,100	39,100	39,900	40,600
Estate, Forms 706 and 706NA, total	47,298	46,300	43,500	25,100	11,100	93,000	114,800	121,800	127,800
Gift, Form 709	255,123	253,000	251,000	261,600	263,800	266,100	268,500	270,900	273,300
Employment, total [10]	30,717,441	30,578,400	30,641,900	30,843,200	31,069,200	31,225,100	31,340,800	31,459,800	31,604,400
Paper employment returns	24,742,274	24,396,300	24,274,900	24,256,000	24,250,700	24,181,700	24,077,800	23,973,600	23,886,400
Electronic employment returns	5,975,167	6,182,000	6,367,000	6,587,100	6,818,500	7,043,400	7,263,000	7,486,200	7,718,100
Forms 940, 940EZ, and 940PR, total	6,139,763	6,154,100	6,183,800	6,258,400	6,350,000	6,428,700	6,480,400	6,520,500	6,558,100
Forms 940, 940EZ, and 940PR, paper	5,039,916	4,972,000	4,939,000	4,941,000	4,955,100	4,957,300	4,937,500	4,908,000	4,875,900
Form 940, e-file/online/XML	1,099,847	1,182,100	1,244,800	1,317,300	1,395,000	1,471,300	1,542,900	1,612,500	1,682,300
Forms 941, 941PR/SS/E, total	23,869,212	23,623,900	23,549,200	23,598,000	23,673,800	23,728,500	23,779,400	23,851,400	23,955,100
Forms 941, 941PR/SS/E, paper	19,003,122	18,636,400	18,442,800	18,346,400	18,270,500	18,177,300	18,080,800	17,999,600	17,941,400
Form 941, e-file/online/XML	4,866,090	4,987,600	5,106,500	5,251,600	5,403,400	5,551,100	5,698,600	5,851,800	6,013,700
Forms 943, 943PR and 943SS	249,571	243,500	237,400	232,000	227,300	223,100	219,500	216,300	213,400
Form 944, total	322,798	425,300	543,900	630,800	697,100	726,500	745,300	757,400	765,200
Form 944, paper	313,568	412,900	528,200	612,600	677,000	705,500	723,800	735,500	743,100
Form 944, electronic	9,230	12,400	15,700	18,200	20,100	21,000	21,500	21,900	22,100
Form 945	134,236	129,700	125,600	122,100	119,100	116,500	114,300	112,400	110,700
Form CT-1	1,861	1,900	1,900	1,900	1,900	1,900	1,900	1,900	1,900
Form 1042 [11]	31,972	32,700	33,300	33,900	34,500	35,100	35,700	36,300	36,900

Footnotes at end of table.

Projections of Federal Tax Return Filings: Calendar Years 2008-2015

Statistics of Income Bulletin | Winter 2009

Table 1. Total Number of Returns To Be Filed with the Internal Revenue Service: Calendar Years 2008-2015—Continued

Type of return	Actual 2007	Estimated 2008 [1]	Projected						
			2009	2010	2011	2012	2013	2014	2015
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Exempt organization, total [12]	877,450	1,132,700	1,143,700	1,168,100	1,119,000	1,166,000	1,222,400	1,296,200	1,359,200
Paper exempt organization, total	841,454	855,800	841,100	831,000	747,700	742,100	735,600	727,900	718,900
Electronic exempt organization, total	35,996	276,900	302,600	337,100	371,300	424,000	486,800	568,300	640,300
Form 990, total	413,881	423,000	325,000	359,700	440,500	450,700	460,900	471,100	481,400
Form 990, electronic	27,465	44,800	47,300	66,600	98,900	119,100	140,000	161,700	184,300
Form 990EZ, total	152,203	156,800	269,200	249,000	98,000	100,300	102,600	104,900	107,100
Form 990EZ, electronic	5,376	10,300	25,200	29,700	14,300	17,600	21,100	25,100	29,400
Form 990-N [13]	N.A.	217,000	222,600	230,100	244,600	271,200	306,500	359,100	400,700
Form 990PF, total	89,661	90,700	91,700	92,700	93,800	94,800	95,900	96,900	97,900
Form 990PF, electronic	3,155	4,700	7,500	10,700	13,400	16,200	19,200	22,500	26,000
Form 990T	93,559	117,000	106,800	108,100	113,500	120,300	127,800	135,400	143,100
Form 4720	2,179	2,200	2,300	2,400	2,400	2,500	2,600	2,600	2,700
Form 5227	125,967	126,000	126,100	126,100	126,100	126,200	126,200	126,300	126,300
Government entities, total	46,886	47,200	47,100	47,100	47,100	47,100	47,100	47,100	47,100
Form 8038	4,888	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Form 8038G	29,757	29,700	29,700	29,700	29,700	29,700	29,700	29,700	29,700
Form 8038GC	10,693	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000
Form 8038T	1,315	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300
Form 8328	233	200	200	200	200	300	300	300	300
Political organizations, total	9,289	11,900	9,900	12,100	10,000	12,100	10,000	12,100	10,000
Form 1120POL, total	5,971	6,200	6,300	6,300	6,300	6,400	6,400	6,400	6,400
Form 8871 [14]	1,366	2,200	1,500	2,200	1,500	2,200	1,500	2,200	1,500
Form 8872	1,952	3,600	2,200	3,600	2,200	3,600	2,200	3,600	2,200
Form 8872, electronic	1,323	2,500	1,600	2,700	1,700	2,900	1,800	3,000	1,900
Excise, total	895,388	878,600	899,600	904,800	922,500	936,200	947,900	959,000	969,600
Form 11-C	8,947	8,700	8,500	8,300	8,200	8,100	8,000	8,000	7,900
Form 720	102,435	100,500	98,800	97,300	95,900	94,800	93,800	92,900	92,200
Form 720, electronic	0	100	400	700	1,200	2,100	3,100	4,600	6,200
Form 730	40,876	39,500	38,500	37,600	36,800	36,000	35,300	34,700	34,100
Form 2290	743,130	729,900	753,800	761,600	781,600	797,300	810,700	823,400	835,400
Form 2290, electronic	1,500	15,500	21,500	28,900	43,400	68,000	97,600	140,900	187,900
Form 5330	23,800	23,800	23,800	23,800	23,800	23,800	23,800	23,800	23,800
Form 8752 [15]	39,627	44,400	44,400	44,400	44,400	44,400	44,400	44,400	44,400
Supplemental documents, total [16]	20,221,791	20,301,400	21,205,300	22,061,600	22,952,600	23,812,900	24,651,100	25,437,600	26,202,700
Form 1040X, total	4,056,377	4,517,200	4,728,300	4,887,600	5,016,200	5,126,600	5,226,800	5,321,200	5,412,700
Form 4868, total	9,978,958	9,482,700	9,921,000	10,343,600	10,861,600	11,310,700	11,735,300	12,100,800	12,433,900
Form 4868, paper	8,453,953	7,700,500	8,011,200	8,217,600	8,487,600	8,691,100	8,864,300	8,982,600	9,067,800
Form 4868, electronic	1,525,005	1,782,200	1,909,800	2,126,000	2,374,100	2,619,700	2,871,000	3,118,200	3,366,100
Credit card	63,374	66,400	69,200	71,600	73,800	75,800	77,700	79,500	81,300
E-file	1,461,631	1,715,800	1,840,600	2,054,400	2,300,300	2,543,900	2,793,300	3,038,700	3,284,800
Form 1120X	3,160	3,100	3,100	3,100	3,100	3,000	3,000	3,000	3,000
Form 5558	402,043	402,000	402,000	402,000	402,000	402,000	402,000	402,000	402,000
Form 7004, total	5,265,021	5,367,800	5,610,600	5,873,200	6,150,400	6,440,500	6,743,300	7,059,300	7,389,200
Form 7004, electronic	837,427	1,176,000	1,563,400	1,875,500	2,122,500	2,325,100	2,499,900	2,659,100	2,810,900
Form 8868, total	516,232	528,500	540,200	552,000	519,300	530,000	540,600	551,300	561,900
Form 8868, electronic	30,667	56,400	84,300	115,000	135,400	160,600	184,500	207,100	228,400

N.A.—Data are not available since relevant program areas have not commenced.

[1] Estimated based on information available as of August 2008.

[2] Grand total is the sum of total primary returns and supplemental documents.

[3] Total primary returns is the sum of all returns, excluding supplemental documents.

[4] "Individual, total" is the sum of paper and electronic Forms 1040, 1040A, 1040EZ, 1040EZ-T, 1040NR, 1040PR, and 1040SS.

[5] Forms 1040/A/EZ is the sum of the paper and electronic Forms 1040, 1040A, and 1040EZ.

[6] The Forms 1040, 1040A and 1040EZ Totals includes the marginal effects of the 2007 TETR and 2008 Economic Stimulus Package.

[7] Form 1120-A cannot be filed for tax years beginning after Dec. 31, 2006.

[8] 1120-ND return counts were estimated for CY2007.

[9] Form 1120-C includes Form 990-C.

[10] "Employment, total" includes paper, magnetic tape and electronic Forms 940, 940EZ, 940PR, 941, 941E, 941PR, 941SS, 943, 943PR, 943SS, 944, 944PR, 944SS, 945, and CT-1.

[11] Form 1042 is the Annual Withholding Tax Return for U.S. Source Income of Foreign Persons.

[12] "Exempt organization, total" includes Forms 990, 990EZ, 990N, 990PF, 990T, 4720, and 5227.

[13] Form 990-N is all electronic.

[14] Form 8871 is all electronic.

[15] Form 8752 is Required Payment or Refund Under Section 7519, a computation of payment or refund by partnership or S corporation.

[16] Supplemental documents consist mainly of applications for extensions of time to file and amended tax returns.

NOTES: Details may not add to totals because of rounding. Table does not contain the approximately 2,500 Non-Master File counts.

Allocations: A Behind the Scenes Look at Data Movements Within SOI Corporate Editing

by Marty Harris

This article describes a longstanding process, known as allocation, which is utilized during online statistical editing for the SOI Corporation Program. Allocation, the identification and movement of taxpayer-reported data items to other, more specific items or categories, is key to enriching SOI corporation data that are used by tax policy and other researchers. Without the allocation process, corporate data would be subject to significant overstatement or understatement. For Tax Year 2005, the total amount allocated was more than \$10.5 trillion. Due to the magnitude of this amount, it is instructive to look at some of the characteristics of returns for which allocation is utilized, as well as the proportion of published SOI corporate data accounted for by allocation.

Overview of the Allocation Process

Allocation is one of many statistical processes that SOI applies to U.S. corporate income tax returns selected for the SOI sample, which includes Forms 1120, 1120A, 1120S, 1120F, 1120L, 1120PC, 1120 RIC, and 1120 REIT. During online statistical editing of sampled returns, SOI tax examiners identify select data items reported by taxpayers and determine whether they should allocate, or move, those items (and corresponding dollar amounts) to other, more specific items or categories. In some cases, allocation may be required because taxpayers report specific items in broad, lump-sum categories. For example, when a specific item such as “Director’s fees” is reported on an attachment for the broad category “Other deductions,” the allocation process would move the amount of director’s fees to the preferred “Salaries and wages” line of the SOI record, subtracting the same amount from other deductions. In other cases, the SOI Corporate Program has established editing rules that simply require select items to be allocated to specific items or categories, even though the taxpayer may have correctly reported the information. For example, the taxpayer instructions for Form 1120 specify that “Amortization” and “Intangible drilling costs” should be reported on the

“Other costs” or “Other deductions” lines, but, during SOI editing, these items are allocated to specific data fields. To assist SOI tax examiners in interpreting taxpayer-used language on returns and allocating amounts to standard line items on the corporate tax return, the SOI Corporate Program maintains online allocation dictionaries. Allocation is completed at the consolidated return level for corporations with more than twenty subsidiaries; otherwise, it is completed at the subsidiary level.

Allocation procedures continue an SOI tradition of providing the best possible data to our customers at the Office of Tax Analysis of the Department of Treasury, the Joint Committee on Taxation of the U.S. Congress, and the Bureau of Economic Analysis of the Department of Commerce, as well as to other researchers who utilize SOI corporate data. To the extent possible, the allocation process ensures that amounts reported for “other” line items are not overstated and that the standard return line items are not understated. It also ensures consistency from year to year in SOI corporate income tax data. Importantly, the allocation process enables SOI to provide its customers additional granularity or detail that is otherwise not available.

Sections of the tax return that are reviewed for allocation purposes include income and deductions; Schedule A, for cost of goods sold; and the balance sheet. Two lines from income/deduction statements (“Other income” and “Other deductions”); two lines on Schedule A (“Other costs” and “Additional inventory costs—Section 263A”); and five lines on the balance sheet (“Other current assets,” “Other investments,” “Other assets,” “Other current liabilities,” and “Other liabilities”) typically require allocation to other, specific items. Allocation is completed through allocation screens in the online editing system (Figure A).

While previous examples described allocation, or data movements, within a particular schedule, allocation is also utilized between different schedules or statements of the return. For example, not only are amounts allocated from “Other costs” to “Purchases” on Schedule A, but significant amounts are also moved from “Other costs” to specific deduction line items reported on the deduction statement (page 1 of Form 1120). Taxes reported in “Other costs” of Schedule A are allocated to “Taxes paid” on the deduction statement. Conversely, amounts may also move from “Other deductions” to “Purchases” and/or

Marty Harris is Chief of the Corporation Returns Analysis Section. This article was prepared under the direction of Kevin Cecco, Chief of the Corporation Statistics Branch. The author acknowledges the technical assistance of Mark Lowe, Corporation Research Section.

Allocations: A Behind the Scenes Look at Data Movements Within SOI Corporate Editing

Statistics of Income Bulletin | Winter 2009

Figure A

OI CU **RS1** IS BS M2

INCOME ALLOCATION COG has Not been Edited.

Valid To_Codes:

Code	Description
DV	TOTAL DIVIDENDS
GL	NET GAIN LOSS
GR	GROSS RECEIPTS
IA	INCOME ADJUSTMENT
IN	INTEREST
OD	OTHER DEDUCTIONS
RN	GROSS RENTS
RY	GROSS ROYALTIES

Allocating From: **OTHER INCOME** OI

Running Total: **12,940,062**

Allocate TO

Amount

0 # of Allocations

Code	Description
DV	TOTAL DIVIDENDS
GL	NET GAIN LOSS
GR	GROSS RECEIPTS
IA	INCOME ADJUSTMENT
IN	INTEREST
OD	OTHER DEDUCTIONS
RN	GROSS RENTS
RY	GROSS ROYALTIES

Consolidated

Subs

Elims

Source: **ELIM**

EIN	PBA	Description	Amount	To Code
				Add
				Add
				Add
				Add
				Add
				Add
				Add
				Add
				Add
				Add
				Add
				Add

Elims Total:

Allocations: A Behind the Scenes Look at Data Movements Within SOI Corporate Editing

Statistics of Income Bulletin | Winter 2009

“Other costs” on records in manufacturing industries for which cost of goods was imputed during SOI processing.

Checks and Balances

The frequency and amount of allocations performed during SOI editing require procedures and tools to ensure data integrity, both before and after allocation. Some of the more significant procedures and tools include:

- Computerized statistical consistency and validity tests are completed to ensure that all total amounts within the SOI record are in balance prior to, and after, allocation. Specific tests are also completed during allocation to ensure that data movements are consistent with other characteristics of the return. For example, data movements that could be inconsistent with the industry classification, such as allocating an amount to cost of goods sold for a company in a finance sector, are flagged for additional review. Other tests are used to verify that important relationships between data items are maintained for specific industries. For example, tests verify that “Interest paid” is the largest reported deduction item for a commercial bank and that “Notes and accounts receivable” are one of the largest reported balance sheet items for a bank holding company. Additional tests ensure that total lines on a record do not include negative amounts as the result of moving negative amounts between schedules. This becomes particularly important for allocations on a consolidated return with eliminations between subsidiaries and the corporate parent. All tests that create computerized flags must be reviewed for possible correction.
- Allocations performed on a record during a prior SOI study year can be reviewed using a lookup utility for year-to-year data comparisons.
- Computerized adjustments keep the affected schedules or statements of the return in balance when allocation is utilized.
- Complete documentation of the entire allocation process is maintained.

- Lookup tools, such as online dictionaries, aid in the process of converting taxpayer-used language and categories to more specific line items on the tax return. The online dictionaries are regularly updated when new language patterns of taxpayer reporting are identified.
- Unclear taxpayer-used language, as well as amounts that exceed a certain threshold, are allocated only after special review by SOI economists and statisticians. Such allocations are documented in the microdata record for year-to-year comparisons and maintenance of online dictionaries.
- SOI is moving to incorporate enhancements possible only with newly available data from electronically filed returns. Separate processes to capture electronic data will enable matching of language or terminology on the electronic record with terminology maintained in SOI’s online data dictionaries, thereby making electronic allocation possible in the future. This will certainly reduce the amount of manual data review and allow more standardization of terms among data dictionaries.

Perspectives on the Allocation Process

- Table 1 shows specific items to which amounts were allocated, as well as items from which amounts were allocated. From this table, it is possible to identify the source(s) that account for most of the data movements and also identify where on returns a specific item may be most frequently reported. For example, approximately \$133.0 billion were allocated to “Amortization,” with nearly 84.0 percent coming from “Other deductions.”
- Table 2 shows amounts allocated by size of total assets reported on corporate returns. Nearly \$9.3 trillion of the total amount allocated came from corporations with reported assets greater than \$500 million, with nearly \$8.3 trillion coming from those with assets of \$2.5 billion or more. Subclassifications within Table 2, and throughout the remaining tables, show that most allocation is performed for items reported on the balance

Allocations: A Behind the Scenes Look at Data Movements Within SOI Corporate Editing

Statistics of Income Bulletin | Winter 2009

sheet, followed by items reported in income and deductions and Schedule A. Nearly three-quarters of the balance sheet movements are due to “Accounts payable,” “Mortgages less than 1 year,” “Other investments,” and “Notes and accounts receivable.” The majority of those for Schedule A are to “Purchases,” while “Business receipts,” “Salaries and wages,” and “Amortization” account for much of the allocation within the income and deduction area.

- Table 3 presents amounts allocated by critical case classification for SOI statistical processing purposes. Critical case returns are among the largest in the SOI Corporate Program, and their presence is vital to the statistical integrity of the sample. Critical case returns are classified based on a combination of assets and industry classification.¹ Approximately \$7.7 trillion, more than 70 percent of the total allocated, were allocated for return records that were among the largest of the critical cases (i.e., supercritical cases), and more than \$1.3 trillion were allocated for other small, critical cases (i.e., other critical cases). An almost equal amount was allocated for records that were not classified as critical cases from a statistical sampling perspective (i.e., noncritical cases).
- Table 4 shows amounts allocated by type of return—whether 1120 consolidated return or other corporate return. Consolidated returns contain

the combined financial data of two or more corporations with a common corporate parent. It should be noted that amounts for consolidated returns with a common 1120-L (life insurance) or 1120-PC (property and casualty) parent are included in the column for “All other returns.” Nearly \$8.0 trillion of the total \$10.5 trillion were allocated for 1120 consolidated returns.

- Table 5 shows the percentages of SOI published data for which allocated amounts account for 5 percent or more of the total.²

Summary

Allocation, the process of moving select data items (and corresponding dollar amounts) reported by taxpayers to other, more specific items or categories, has historically contributed to the richness of SOI corporate data and is one of the many reasons that SOI data are highly valued for tax policy analysis. The total allocation amount for Tax Year 2005 exceeded \$10.5 trillion. Most allocation is performed on returns filed for corporations reporting assets greater than \$500 million. Similarly, most allocation is performed on consolidated returns, many of which are considered statistically critical to the SOI corporate sample. Amounts allocated in many cases comprise a significant proportion of published SOI data. Continual improvements and enhancements, as described in this article, contribute to the efficiency and accuracy of the process.

¹ For further information, see Davitian, Lucy (2005), “Corporation Supercritical Cases: How Do Imputed Returns on the Corporate File Compare to the Actual Return,” American Statistical Association Conference.

² Published data are contained in *Statistics of Income-Corporation Income Tax Returns, 2005* and *Statistics of Income Corporation Source Book, 2005*.

Allocations: A Behind the Scenes Look at Data Movements Within SOI Corporate Editing

Statistics of Income Bulletin | Winter 2009

Table 1. Selected Sources and Percentages of Allocation, Tax Year 2005

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Item allocated to	Item allocated from	Amount	Percentage
BALANCE SHEET ALLOCATION			
Cash	Total	140,557,415	
	Other current assets	55,982,925	39.8
	Other investments	55,873,240	39.8
Notes and accounts receivable [1]	Total	2,627,124,123	
	Other current assets	2,270,396,768	86.4
Investments in government obligations	Total	256,150,117	
	Other investments	241,404,197	94.2
Tax-exempt securities	Total	294,725,395	
	Other investments	291,589,061	98.9
Other investments	Total	1,436,983,039	
	Other assets	1,358,568,648	94.5
Depreciable assets	Total	105,679,840	
	Other assets	90,703,298	85.8
Accounts payable	Total	1,618,406,908	
	Other current liabilities	1,582,596,193	97.8
Mortgages, notes, and bonds payable in less than 1 year	Total	1,147,561,260	
	Other current liabilities	1,107,095,460	96.5
Other current liabilities	Total	502,294,718	
	Other liabilities	452,935,921	90.2
Mortgages, notes, and bonds payable in 1 year or more	Total	808,337,020	
	Other liabilities	773,927,817	95.7
SCHEDULE A ALLOCATION [2]			
Purchases	Total	209,914,459	
	Other costs	144,173,639	68.7
	Other deductions	19,484,669	9.3
Cost of labor	Total	34,119,979	
	Other costs	34,119,979	100
INCOME/DEDUCTION ALLOCATION			
Business receipts	Total	325,349,196	
	Other income	295,281,877	90.8
Salaries and wages	Total	110,723,874	
	Other deductions	66,680,374	60.2
Taxes paid	Total	78,689,861	
	Other costs	40,443,572	51.4
	Other deductions	14,161,844	18.0
Amortization	Total	132,813,606	
	Other deductions	111,199,524	83.7
	Other costs	13,514,202	10.2

[1] Net of allowance for bad debts.

[2] Schedule A is entitled "Cost of Goods Sold."

Allocations: A Behind the Scenes Look at Data Movements Within SOI Corporate Editing

Statistics of Income Bulletin | Winter 2009

Table 2. Allocations by Size of Total Assets, Tax Year 2005

[All figures are estimates based on samples—money amounts and size of total assets are in thousands of dollars]

Allocated to	Size of total assets						
	Total	Under \$50,000	\$50,000 under \$100,000	\$100,000 under \$250,000	\$250,000 under \$500,000	\$500,000 under \$2,500,000	\$2,500,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
BALANCE SHEET ALLOCATION							
Total balance sheet allocations	9,252,322,347	294,096,835	82,326,378	178,274,297	219,711,640	832,099,318	7,645,813,879
Cash	140,557,415	14,147,608	2,234,185	3,808,598	3,126,374	9,233,624	108,007,026
Notes and accounts receivable[1]	2,627,124,123	40,076,298	17,578,915	40,737,704	48,608,087	154,276,422	2,325,846,698
Inventories	19,120,706	2,753,382	529,644	554,500	644,368	2,783,975	11,854,837
Investments in government obligations	256,150,117	2,383,009	2,255,124	5,927,030	6,540,119	23,642,742	215,402,093
Tax-exempt securities	294,725,395	1,720,224	1,452,360	4,520,456	7,271,259	25,438,631	254,322,465
Other current assets	86,232,449	2,229,330	1,718,431	3,632,368	8,059,594	27,107,753	43,484,973
Loans to shareholders	452,520	330,259	56,543	65,699	18	0	0
Mortgage and real estate loans	84,798,297	4,088,302	1,063,763	2,735,199	2,072,708	4,124,497	70,713,828
Other investments	1,436,983,039	70,554,057	15,455,136	27,256,335	28,565,646	138,722,207	1,156,429,658
Depreciable assets	105,679,840	12,622,197	2,463,660	3,293,091	2,927,652	12,794,262	71,578,978
Less accumulated depreciation	3,314,410	47,100	993	4,239	497	68,464	3,193,117
Depletable assets	-13,127,879	-8,804,446	-1,419,266	-1,622,789	-1,340,289	-2,536,748	2,595,658
Land	7,480,636	5,091,533	365,871	273,745	423,702	1,280,439	45,345
Intangible assets (amortizable)	77,140,460	2,074,650	283,217	589,250	1,023,901	5,466,374	67,703,068
Less accumulated amortization	5,318,441	421,978	23,254	93,677	64,982	718,432	3,996,119
Other assets	18,201,092	869,886	270,044	360,985	947,508	3,139,826	12,612,842
Accounts payable	1,618,406,908	39,552,190	10,299,498	27,437,247	37,938,966	177,525,512	1,325,653,496
Mortgages, notes, and bonds payable in less than 1 year	1,147,561,260	51,467,861	8,975,919	14,360,507	19,174,562	70,541,959	983,040,452
Other current liabilities	502,294,718	4,368,295	7,993,863	24,159,502	32,248,832	91,403,690	342,120,537
Loans from shareholders	1,244,355	492,786	176	1,865	-41,984	164,021	627,491
Mortgages, notes, and bonds payable in 1 year or more	808,337,020	46,363,923	10,068,325	19,259,197	20,760,087	82,032,719	629,852,769
Other liabilities	2,190,365	76,332	202	9,643	1,306	166,411	1,936,472
Capital stock	3,983,868	544,807	433,673	537,691	193,694	986,789	1,287,213
Additional paid-in capital	321,542	290,541	15,640	0	14,111	1,250	0
Retained earnings, appropriated	11,859,335	217,956	10,437	59,873	60,513	798,720	10,711,836
Retained earnings, unappropriated	5,962,939	116,165	195,553	211,538	425,430	2,217,346	2,796,907
Less cost of treasury stock	8,978	610	1,219	7,148	0	0	0
SCHEDULE A ALLOCATION [2]							
Total Schedule A allocations	255,838,224	75,957,673	7,623,264	10,766,725	16,406,733	33,005,571	112,078,259
Inventory, beginning of year	3,540,214	230,012	61,099	-36,840	205,039	1,793,178	1,287,725
Purchases	209,914,459	62,177,302	6,179,857	8,697,023	9,516,574	26,831,768	96,511,935
Cost of labor	34,119,979	9,977,286	977,537	1,631,338	6,419,584	3,799,932	11,314,302
Additional inventory costs (section 263A)	-33,988	2,981	-8,235	30,735	-2,993	6,466	-62,941
Other costs	8,297,561	3,570,092	413,006	444,468	268,529	574,226	3,027,239

Footnotes at end of table.

Allocations: A Behind the Scenes Look at Data Movements Within SOI Corporate Editing

Statistics of Income Bulletin | Winter 2009

Table 2. Allocations by Size of Total Assets, Tax Year 2005—Continued

[All figures are estimates based on samples—money amounts and size of total assets are in thousands of dollars]

Allocated to	Size of total assets						
	Total	Under \$50,000	\$50,000 under \$100,000	\$100,000 under \$250,000	\$250,000 under \$500,000	\$500,000 under \$2,500,000	\$2,500,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
INCOME/DEDUCTION ALLOCATION							
Total income/deduction allocations	969,916,825	248,466,542	23,327,267	36,469,074	32,989,233	109,917,794	518,746,915
Business receipts	325,349,196	47,454,639	3,909,977	7,866,028	8,053,558	29,559,730	228,505,263
Interest received	6,038,118	869,489	167,256	175,105	203,485	879,150	3,743,633
Rents	3,098,161	892,226	51,166	103,610	69,327	226,263	1,755,570
Royalties	2,381,673	262,598	52,475	303,830	146,782	515,816	1,100,172
Net gain, noncapital assets	-574,632	429,339	29,233	78,967	110,586	329,021	-1,551,778
Total dividends	760,816	159,757	7,277	15,230	8,376	117,107	453,068
Other income	-48,168	-19	-59	-12,046	-36,044	0	0
Compensation of officers	539,846	503,811	11,667	32,347	-1,573	5,873	-12,279
Salaries and wages	110,723,874	51,759,605	2,411,660	3,886,755	2,792,638	8,627,051	41,246,164
Repairs	15,133,389	5,901,665	304,044	386,827	340,760	1,416,487	6,783,606
Bad Debts	1,952,190	166,912	14,837	46,657	41,972	106,394	1,575,418
Rent paid on business property	71,692,663	42,209,168	2,867,876	3,477,604	2,312,202	7,008,782	13,817,032
Taxes paid	78,689,861	30,521,676	3,169,555	4,161,865	3,443,230	10,354,312	27,039,224
Interest paid	5,330,735	1,924,979	110,757	162,951	93,824	537,465	2,500,759
Charitable contributions	460,172	186,704	5,692	7,506	6,232	77,962	176,075
Amortization	132,813,606	12,457,355	2,817,537	5,247,676	5,955,292	20,229,517	86,106,229
Depreciation	85,097,522	16,773,533	3,610,775	5,496,169	4,759,749	14,043,915	40,413,381
Depletion	3,393,447	243,416	56,102	172,293	62,744	174,827	2,684,064
Advertising	11,817,461	2,606,962	141,708	225,337	304,857	662,042	7,876,556
Pension, profit-sharing, etc. plans	11,307,407	2,278,353	252,124	414,416	319,947	1,181,432	6,861,136
Employee benefit programs	72,970,527	29,522,757	3,050,952	3,505,290	3,234,605	8,530,674	25,126,250
Employee stock option dividends	1,122,599	98,959	23,402	39,552	4,209	40,901	915,576
Intangible drilling costs	30,304,541	1,384,019	271,838	685,144	815,468	5,335,998	21,812,075
Other deductions	-438,179	-141,363	-10,582	-10,037	-52,994	-42,925	-180,279
Total all allocations	10,478,077,397	618,521,050	113,276,908	225,510,096	269,107,606	975,022,684	8,276,639,052

[1] Net of allowance for bad debts.

[2] Schedule A is entitled "Cost of Goods Sold."

Allocations: A Behind the Scenes Look at Data Movements Within SOI Corporate Editing

Statistics of Income Bulletin | Winter 2009

Table 3. Allocations by Critical Case Classification, Tax Year 2005

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Allocated to	Level of critical case			
	Total	Supercritical	Other critical	Noncritical
	(1)	(2)	(3)	(4)
BALANCE SHEET ALLOCATION				
Total balance sheet allocations	9,252,322,347	7,098,297,993	1,123,335,871	1,030,688,483
Cash	140,557,415	82,022,122	33,561,520	24,973,773
Notes and accounts receivable [1]	2,627,124,123	2,217,028,446	218,451,928	191,643,748
Inventories	19,120,706	12,159,531	3,173,210	3,787,965
Investments in government obligations	256,150,117	195,817,039	30,577,254	29,755,824
Tax-exempt securities	294,725,395	216,598,245	55,394,693	22,732,457
Other current assets	86,232,449	34,177,409	19,710,529	32,344,511
Loans to shareholders	452,520	0	65,718	386,803
Mortgage and real estate loans	84,798,297	54,816,077	20,535,779	9,446,441
Other investments	1,436,983,039	1,104,283,146	179,177,032	153,522,860
Depreciable assets	105,679,840	71,344,323	17,406,444	16,929,073
Less accumulated depreciation	3,314,410	3,013,502	252,351	48,556
Depletable assets	-13,127,879	2,409,279	-5,072,548	-10,464,611
Land	7,480,636	45,345	1,974,617	5,460,673
Intangible assets (amortizable)	77,140,460	67,707,474	6,902,742	2,530,244
Less accumulated amortization	5,318,441	3,949,368	914,503	454,570
Other assets	18,201,092	12,750,435	3,748,844	1,701,813
Accounts payable	1,618,406,908	1,234,113,467	157,515,749	226,777,693
Mortgages, notes, and bonds payable in less than 1 year	1,147,561,260	925,695,109	129,965,341	91,900,810
Other current liabilities	502,294,718	261,175,188	107,519,888	133,599,641
Loans from shareholders	1,244,355	771,089	-19,697	492,963
Mortgages, notes, and bonds payable in 1 year or more	808,337,020	586,365,843	136,720,751	85,250,426
Other liabilities	2,190,365	1,926,114	185,704	78,547
Capital stock	3,983,868	577,213	721,920	2,684,736
Additional paid-in capital	321,542	0	1,250	320,292
Retained earnings, appropriated	11,859,335	9,325,250	1,668,698	865,387
Retained earnings, unappropriated	5,962,939	226,978	2,281,651	3,454,310
Less cost of treasury stock	8,977	0	0	8,977
SCHEDULE A ALLOCATION [2]				
Total Schedule A allocations	255,838,225	115,829,989	53,373,230	86,635,007
Inventory, beginning of year	3,540,214	1,395,494	1,782,719	362,001
Purchases	209,914,459	99,048,181	39,361,186	71,505,093
Cost of labor	34,119,979	11,841,142	11,043,528	11,235,309
Additional inventory costs (section 263A)	-33,988	-61,437	21,151	6,298
Other costs	8,297,561	3,606,609	1,164,646	3,526,306
INCOME/DEDUCTION ALLOCATION				
Total income/deduction allocations	969,916,825	512,044,762	164,071,991	293,800,071
Business receipts	325,349,196	228,667,399	37,556,597	59,125,199
Interest received	6,038,118	3,839,852	1,002,066	1,196,200
Rents	3,098,161	1,278,761	750,963	1,068,437
Royalties	2,381,673	1,375,939	665,838	339,896
Net gain, noncapital assets	-574,632	-1,535,650	411,819	549,198
Total dividends	760,816	321,994	206,687	232,134
Other income	-48,168	0	-537	-47,631
Compensation of officers	539,846	-7,064	26,423	520,487
Salaries and wages	110,723,874	32,530,014	18,100,273	60,093,586
Repairs	15,133,389	6,891,711	1,943,319	6,298,359
Bad debts	1,952,190	1,482,688	1,800,968	288,534
Rent paid on business property	71,692,663	14,003,474	12,004,685	45,684,604
Taxes paid	78,689,861	27,895,344	15,974,760	34,819,757
Interest paid	5,330,735	2,419,401	995,769	1,915,565
Charitable contributions	460,172	181,274	75,915	202,983
Amortization	132,813,606	87,548,282	27,803,060	17,462,264
Depreciation	85,097,522	40,874,618	21,610,063	22,612,841
Depletion	3,393,447	2,684,530	409,058	299,858
Advertising	11,817,461	7,218,668	1,609,577	2,989,216
Pension, profit-sharing, etc. plans	11,307,407	6,605,926	1,933,734	2,767,747
Employee benefit programs	72,970,527	24,504,687	14,763,725	33,702,115
Employee stock option dividends	1,122,599	828,292	138,646	155,661
Intangible drilling costs	30,304,541	22,509,202	6,055,981	1,739,359
Other deductions	-438,179	-74,581	-147,299	-216,300
Total all allocations	10,478,077,397	7,726,172,744	1,340,781,092	1,411,123,562

[1] Net of allowance for bad debts.

[2] Schedule A is entitled "Cost of Goods Sold."

Allocations: A Behind the Scenes Look at Data Movements Within SOI Corporate Editing

Statistics of Income Bulletin | Winter 2009

Table 4. Allocations for Form 1120 Consolidated Returns and All Other Returns, Tax Year 2005

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Allocated to	Total	Form 1120 consolidated returns	All other returns
	(1)	(2)	(3)
BALANCE SHEET ALLOCATION			
Total balance sheet allocations	9,252,322,347	7,211,065,029	2,041,257,318
Cash	140,557,415	79,236,250	61,321,165
Notes and accounts receivable [1]	2,627,124,123	2,307,951,967	319,172,157
Inventories	19,120,706	14,400,126	4,720,580
Investments in government obligations	256,150,117	147,134,335	109,015,782
Tax-exempt securities	294,725,395	14,222,115	280,503,280
Other current assets	86,232,449	20,514,448	65,718,000
Loans to shareholders	452,520	102,596	349,924
Mortgage and real estate loans	84,798,297	69,694,556	15,103,741
Other investments	1,436,983,039	1,141,568,331	295,414,708
Depreciable assets	105,679,840	82,566,638	23,113,201
Less accumulated depreciation	3,314,410	1,799,350	1,515,059
Depletable assets	-13,127,879	-4,099,122	-9,028,757
Land	7,480,636	1,217,486	6,263,149
Intangible assets (amortizable)	77,140,460	70,833,700	6,306,760
Less accumulated amortization	5,318,441	4,522,139	796,302
Other assets	18,201,092	14,540,568	3,660,524
Accounts payable	1,618,406,908	1,204,490,608	413,916,300
Mortgages, notes, and bonds payable in less than 1 year	1,147,561,260	944,622,699	202,938,562
Other current liabilities	502,294,718	417,643,024	84,651,694
Loans from shareholders	1,244,355	767,548	476,807
Mortgages, notes, and bonds payable in 1 year or more	808,337,020	668,316,771	140,020,250
Other liabilities	2,190,365	2,123,930	66,435
Capital stock	3,983,868	1,953,118	2,030,750
Additional paid-in capital	321,542	565	320,977
Retained earnings, appropriated	11,859,335	4,518,198	7,341,137
Retained earnings, unappropriated	5,962,939	415,804	5,547,136
Less cost of treasury stock	8,978	7,281	1,697
SCHEDULE A ALLOCATION [2]			
Total Schedule A allocations	255,838,225	170,362,477	85,475,748
Inventory, beginning of year	3,540,214	3,183,694	356,520
Purchases	209,914,459	138,317,667	71,596,793
Cost of labor	34,119,979	24,458,312	9,661,667
Additional inventory costs (section 263A)	-33,988	-29,316	-4,672
Other costs	8,297,561	4,432,120	3,865,440
INCOME/DEDUCTION ALLOCATION			
Total income/deduction allocations	969,916,825	606,435,616	363,481,209
Business receipts	325,349,196	255,115,834	70,233,362
Interest received	6,038,118	4,547,408	1,490,710
Rents	3,098,161	1,419,662	1,678,499
Royalties	2,381,673	2,152,667	229,006
Net gain, noncapital assets	-574,632	-1,095,964	521,332
Total dividends	760,816	546,100	214,716
Other income	-48,168	-596	-47,572
Compensation of officers	539,846	-5,555	545,402
Salaries and wages	110,723,874	6,974,617	103,749,256
Repairs	15,133,389	8,250,854	6,882,535
Bad debts	1,952,190	1,730,415	221,775
Rent paid on business property	71,692,663	26,289,864	45,402,800
Taxes paid	78,689,861	40,996,955	37,692,906
Interest paid	5,330,735	1,740,118	3,590,617
Charitable contributions	460,172	125,858	334,314
Amortization	132,813,606	116,176,001	16,637,605
Depreciation	85,097,522	60,403,648	24,693,875
Depletion	3,393,447	2,877,543	515,904
Advertising	11,817,461	4,610,234	7,207,228
Pension, profit-sharing, etc. plans	11,307,407	6,299,748	5,007,659
Employee benefit programs	72,970,527	38,193,983	34,776,544
Employee stock option dividends	1,122,599	934,550	188,049
Intangible drilling costs	30,304,541	28,205,258	2,099,283
Other deductions	-438,179	-53,584	-384,595
Total all allocations	10,478,077,397	7,987,863,122	2,490,214,275

[1] Net of allowance for bad debts.

[2] Schedule A is entitled "Cost of Goods Sold."

Allocations: A Behind the Scenes Look at Data Movements Within SOI Corporate Editing

Statistics of Income Bulletin | Winter 2009

Table 5. Allocations Accounting for Five Percent or More of Published Data, Tax Year 2005

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Allocated to	Published amount	Amount allocated	Percentage
	(1)	(2)	(3)
BALANCE SHEET ALLOCATION			
Accounts payable	6,028,618,202	1,618,406,908	26.8
Mortgages, notes, and bonds payable in less than 1 year	4,192,065,342	1,147,561,260	27.4
Tax-exempt securities	1,468,019,062	294,725,395	20.1
Investments in government obligations	1,613,373,550	256,150,117	15.9
Mortgages, notes, and bonds payable in 1 year or more	8,331,501,033	808,337,020	9.7
Other investments	25,161,629,498	1,436,983,039	5.7
Cash	2,823,419,976	140,557,415	5.0
INCOME/DEDUCTION ALLOCATION			
Amortization	140,874,992	132,813,606	94.3
Depletion	15,421,478	3,393,447	22.0
Taxes paid	472,952,167	78,689,861	16.6
Depreciation	530,931,029	85,097,522	16.0
Rent paid on business property	438,512,225	71,692,663	16.3
Repairs	154,331,486	15,133,389	9.8
Pension, profit-sharing, etc. plans	146,824,063	11,307,407	7.7

SOI Sampling Methodology and Data Limitations

This article discusses typical sampling procedures used in most Statistics of Income (SOI) programs. Aspects covered briefly include sampling criteria, selection techniques, methods of estimation, and sampling variability. Some of the nonsampling error limitations of the data are also described, as well as the tabular conventions employed.

Additional information on sample design and data limitations for specific SOI studies can be found in the separate SOI reports. More technical information is available, on request, by writing to the Director, Statistics of Income Division RAS:S, Internal Revenue Service, P.O. Box 2608, Washington, DC 20013-2608.

Sample Criteria and Selection of Returns

Statistics compiled for the SOI studies are generally based on stratified probability samples of income tax returns or other forms filed with the Internal Revenue Service (IRS). The statistics do not reflect any changes made by the taxpayer through an amended return or by the IRS as a result of an audit. As returns are filed and processed for tax purposes, they are assigned to sampling classes (strata) based on such criteria as: industry, presence or absence of a tax form or schedule, and various income factors or other measures of economic size (such as total assets, total receipts, size of gift, and size of estate). The samples are selected from each stratum over the appropriate filing periods. Thus, sample selection can continue for a given study for several calendar years—3 for corporations because of the incidence of fiscal (noncalendar) year reporting and extensions of filing time. Because sampling must take place before the population size is known precisely, the rates of sample selection within each stratum are fixed. This means, in practice, that both the population and the sample size can differ from those planned. However, these factors do not compromise the validity of the estimates.

The probability of a return's selection depends on its sample class or stratum and may range from a fraction of 1 percent to 100 percent. Considerations in determining the selection probability for each stratum include the number of returns in the stratum, the diversity of returns in the stratum, and interest in the stratum as a separate subject of study. All this is subject to constraints based on the estimated pro-

cessing costs or the target size of the total sample for the program.

For most SOI studies, returns are designated by computer from the IRS Master Files based on the taxpayer identification number (TIN), which is either the Social Security number (SSN) or the Employer Identification Number (EIN). A fixed and essentially random number is associated with each possible TIN. If that random number falls into a range of numbers specified for a return's sample stratum, then it is selected and processed for the study. Otherwise, it is counted (for estimation purposes), but not selected. In some cases, the TIN is used directly by matching specified digits of it against a predetermined list for the sample stratum. A match is required for designation.

Under either method of selection, the TINs designated from one year's sample are, for the most part, selected for the next year's, so that a very high proportion of the returns selected in the current year's sample are from taxpayers whose previous years' returns were included in earlier samples. This longitudinal character of the sample design improves the estimates of change from one year to the next.

Method of Estimation

As noted above, the probability with which a return is selected for inclusion in a sample depends on the sampling rate prescribed for the stratum in which it is classified. "Weights" are computed by dividing the count of returns filed for a given stratum by the number of population sample returns for that same stratum. These weights are usually adjusted for unavailable returns, outliers, or trimming weights. Weights are used to adjust for the various sampling rates used, relative to the population—the lower the rate, the larger the weight. For some studies, it is possible to improve the estimates by subdividing the original sampling classes into "poststrata," based on additional criteria or refinements of those used in the original stratification. Weights are then computed for these poststrata using additional population counts. The data on each sample return in a stratum are then multiplied by that weight. To produce

Sample returns are designated by computer from the IRS Master Files based on the taxpayer identification number.

SOI Sampling Methodology and Data Limitations

In transcribing and tabulating data from tax returns, checks are imposed to improve the quality of the statistics.

the tabulated estimates, the weighted data are summed to produce the published statistical totals.

Sampling Variability

The particular sample used in a study is only one of a large number of possible random samples that could have been selected using the same sample

design. Estimates derived from the different samples usually vary. The standard error of the estimate is a measure of the variation among the estimates from all possible samples and is used to measure the precision with which an estimate from a particular sample approximates the average result of the possible samples. The sample estimate and an estimate of its standard error permit the construction of interval estimates with prescribed confidence that this interval includes the actual population value.

In SOI reports, the standard error is not directly presented. Instead, the ratio of the standard error to the estimate itself is presented in percentage form. This ratio is called the coefficient of variation (CV). The user of SOI data may multiply an estimate by its CV to recreate the standard error and to construct confidence intervals.

For example, if a sample estimate of 150,000 returns is known to have a coefficient of variation of 2 percent, then the following arithmetic procedure would be followed to construct a 68-percent confidence interval estimate:

$$\begin{array}{ll} 150,000 & \text{(sample estimate)} \\ \times 0.02 & \text{(coefficient of variation)} \\ = 3,000 & \text{(standard error of estimate)} \end{array}$$

then:

$$\begin{array}{ll} 150,000 & \text{(sample estimate)} \\ + \text{ or } - 3,000 & \text{(standard error)} \\ = \{147,000, 153,000\} & \text{(68-percent confidence interval).} \end{array}$$

Based on these data, the interval estimate is from 147 to 153 thousand returns. This means that the average estimate of the number of returns lies within an interval computed in this way. Such an estimate would be correct for approximately two-thirds of all possible

samples similarly selected. To obtain this interval estimate with 95-percent confidence, the standard error should be multiplied by 2 before adding to and subtracting from the sample estimate. (In this particular case, the resulting interval would be from 144 to 156 thousand returns.)

Further details concerning sample design, sample selection, estimation method, and sampling variability for a particular SOI study may be obtained, on request, by writing to the Director, Statistics of Income Division, at the address given above.

Nonsampling Error Controls and Limitations

Although the previous discussion focuses on sampling methods and the limitations of the data caused by sampling error, there are other sources of error that may be significant in evaluating the usefulness of SOI data. These include taxpayer reporting errors and inconsistencies, processing errors, and the effects of any early cutoff of sampling. Additional information on nonsampling error as it applies to individual and corporation income tax returns is presented in the separate SOI reports on these returns.

In transcribing and tabulating the information from returns or forms selected for the sample, steps are taken to improve the quality of the resultant estimates. Tax return data may be disaggregated or recombined during the statistical abstracting and "editing" process that takes place in IRS submission processing centers. This is done to improve data consistency from return to return and to achieve definitions of the data items more in keeping with the needs of major users. In some cases, not all of the data are available from the tax return as originally filed. Sometimes, the missing data can be obtained by the Statistics of Income Division in Washington, DC, through field followup. More often, though, they are obtained through manual or computerized imputation. For this purpose, other information in the return or in accompanying schedules may be sufficient to serve as the basis for making an estimate. Prior-year data for the same taxpayer can be used for this same purpose, or comparable data from business reference books may be substituted.

Data abstracted or "edited" from returns for statistical use are subjected to a number of validation checks, including systematic verifications of a sampling of the work of each tax examiner involved in the SOI process. Data reported on sampled returns

SOI Sampling Methodology and Data Limitations

and previously transcribed as part of processing for the IRS Master Files are subject to validation as part of the administrative process before SOI processing begins. However, during the administrative process, it is only practical to transcribe corrections to errors that have a direct bearing on the tax reported or the refund claimed. Therefore, during the SOI process, checks must also be made to correct any errors or inconsistencies left in the administrative data before the data can be accepted for the statistics.

The Statistics of Income program includes many more tax return items than are transcribed and perfected for IRS tax administration needs, especially for items reported in tax return schedules in support of the various summary totals reported on the return. Therefore, checks must also be designed to validate these additional data items and to assure that they are consistent with other data entries.

Most of the data validation checks made during the SOI process take the form of computerized tests of each record. In addition to verifying that internal consistency and proper balance and relationships among the tax return items and statistical classifications are maintained, this process is intended to check on consistency with tax law provisions, acceptable reporting practices, and generally accepted accounting principles. Most testing occurs during the data abstracting and editing operation, while the tax return source document is still on hand, although some testing for certain programs occurs later on. Records failing the tests are subjected to further review and correction.

Finally, before publication, the statistics are reviewed for accuracy and reasonableness in light of the tax law provisions, taxpayer reporting variations and other limitations, tolerances and statistical techniques allowed or employed in data processing and estimating, economic conditions, and comparability with other statistical series. However, these controls do not completely eliminate the possibility of error. When discovered, errors in *Bulletin* tables are corrected, through a published errata.

Table Conventions

Published estimates subject to excessive sampling variability are identified for most of the statistics by means of an asterisk (*) presented alongside the estimate or in place of an estimate. Presence of an asterisk means that the sampling rate was less than 100 percent of the population and that there were fewer than 10 sample observations available for estimation purposes. This method produces a rough indication of excessive sampling variability. However, the results will differ somewhat from more precise indicators of excessive sampling variability based on the standard statistical formula. For some of the statistics based on samples, asterisking was not possible because of resource and other constraints. Users should keep this limitation in mind when using these data.

A zero, in place of a frequency or an amount, in any given table cell presenting data based on an SOI sample, indicates either that (1) there were no returns in the population with the particular characteristic, or (2) because of its rarity, instances of the characteristic were not present among the sampled returns. However, for statistics based on returns selected for the sample at the 100-percent rate, a zero indicates a presumption of no returns with the particular characteristic in the population.

In addition to sampling variability, Statistics of Income is required to prevent disclosure of information about specific taxpayers or businesses in its tables. Therefore, a weighted frequency (and the associated amount, where applicable) of less than 3 is either combined with data in an adjacent cell(s) so as to meet the criteria, or deleted altogether. Similar steps are taken to prevent indirect disclosure through subtraction. However, any combined or deleted data are included in the appropriate totals. Most data on tax-exempt, nonprofit organizations are excluded from disclosure review because the Internal Revenue Code and regulations permit public access to most of the information reported by these organizations.

Public Release of SOI Information

Goals for Public Release of SOI Information

Statistics of Income program and year	End of tax year	Close of filing period—		Close of sampling period	Tentative release date for final data
		Regular	With extensions of time		
	(1)	(2)	(3)	(4)	(5)
Individual income tax returns:					
2007	December 2007	April 2008	October 2008	December 2008	August 2009
2008	December 2008	April 2009	October 2009	December 2009	August 2010
Nonfarm sole proprietorships:					
2007	December 2007	April 2008	October 2008	December 2008	August 2009
2008	December 2008	April 2009	October 2009	December 2009	August 2010
Partnerships:					
2007	December 2007	April 2008	October 2008	December 2008	July 2009
2008	December 2008	April 2009	October 2009	December 2009	July 2010
Corporations [1]:					
2006	June 2007	September 2007	March 2008	June 2008	February 2009
2007	June 2008	September 2008	March 2009	June 2009	February 2010
Corporation foreign tax credit [2]:					
2005	June 2006	September 2006	March 2007	June 2007	October 2008
2006	June 2007	September 2007	March 2008	June 2008	October 2009
Controlled foreign corporations [2]:					
2006	June 2007	September 2007	March 2008	June 2008	October 2009
Tax-exempt organizations [3]:					
2006	November 2007	April 2008	October 2008	December 2008	August 2009
2007	November 2008	April 2009	October 2009	December 2009	August 2010
Private foundations [3]:					
2006	November 2007	April 2008	October 2008	December 2008	August 2009
2007	November 2008	April 2009	October 2009	December 2009	August 2010
Tax-exempt organization unrelated business income [3]:					
2006	November 2007	April 2008	October 2008	December 2008	October 2009
2007	November 2008	April 2009	October 2009	December 2009	October 2010
Estate tax returns:					
2008	[4]	[4]	[4]	December 2008	October 2009
2009	[4]	[4]	[4]	December 2009	October 2010
Split-interest trusts:					
2008	[5]	[5]	[5]	December 2008	October 2009
2009	[5]	[5]	[5]	December 2009	October 2010
Gift tax returns:					
2008	[4]	[4]	[4]	December 2008	October 2009
2009	[4]	[4]	[4]	December 2009	October 2010
Nonresident alien estate tax returns:					
2007	[4]	[4]	[4]	December 2008	June 2009
2009	[4]	[4]	[4]	December 2009	June 2010
Fiduciary extracts:					
2008	[5]	[5]	[5]	December 2008	October 2009
2009	[5]	[5]	[5]	December 2009	October 2010
Tax-exempt bonds:					
2007	[6]	[6]	[6]	December 2008	May 2009
2008	[6]	[6]	[6]	December 2009	May 2010

[1] Corporation statistics for 2005 represent accounting periods ended July 2005 through June 2006. Study Year 2006 is similarly defined.

[2] Data for 2005 represent accounting periods ending July 2005 through June 2006. Data for Study Year 2006 are similarly defined.

[3] Data for 2006 represent tax years ending between December 2006 and November 2007. Study Year 2007 is similarly defined.

[4] Estate and gift tax data are processed on a filing-year, rather than on a year-of-death or gift-year (tax-year) basis. At a later stage (not shown here), filing years are combined by year of death or gift year, respectively.

[5] Split-interest trust and fiduciary income tax statistics are processed on a filing-year rather than a tax-year basis.

[6] Tax-exempt private activity governmental bond statistics are collected annually based on issue year. Arbitrage rebate and penalty studies are conducted biennially, for tax years ending in odd numbers.

S01 Projects and Contacts

General Statistical Information: (202) 874-0410 Fax: (202) 874-0964 e-mail: sis@irs.gov

Projects*	Primary Analysts	Frequency and Program Content
Americans Living Abroad: 2006 Program	Scott Hollenbeck Maureen Keenan Kahr	This periodic study is conducted every 5 years. It covers foreign income, foreign taxes paid, and foreign tax credit shown on individual income tax returns. Data are classified by size of adjusted gross income and country.
Controlled Foreign Corporations: 2006 Program	Jason Wenrich	This semiannual study provides data on activities of foreign corporations that are controlled by U.S. corporations. Data are classified by industry group and country.
Controlled Foreign Partnerships: 2008 Program	Bill States	This study provides data on activities of foreign partnerships that are controlled by U.S. corporations or partnerships. Frequency of this study has not been determined.
Corporation Foreign Tax Credit: 2006 Program 2007 Program	Scott Luttrell Rob Singmaster	This annual study provides data on foreign income, taxes paid, and foreign tax credit reported on corporation foreign income tax returns. Data are classified by industry group and country.
Corporation Income Tax Returns: 2006 Program 2007 Program	Bill Rush Todd Reum Ellen Legel	Basic data are produced annually and cover complete income statement, balance sheet, tax, tax credits, and details from supporting schedules. Data are classified chiefly by industry group or asset size.
Entity Classification Election:	John Comisky	This annual study provides data from all Entity Classification Elections, including the type of election and whether the entity is foreign or domestic.
Estate Tax: 2004-2006 Program 2007-2009 Program	Brian Raub	This annual study provides information on a gross estate and its composition, deductions, and tax; and information on the age, sex, and marital status of decedents. Basic estate tax return data by year in which returns are filed are produced each year. Also included are data on nonresident aliens who had more than \$60,000 of assets in the United States. Other statistics are available on a year-of-death basis (approximately every 3 years). The most recent study is based on decedents who died in 2004 with returns filed in 2004-2006. The most recent data available are for returns filed in 2007.
Excise Taxes:	Josh Barron Ruth Schwartz	Basic data are collected and processed by three Department of the Treasury agencies: the Internal Revenue Service, the Alcohol and Tobacco Tax and Trade Bureau (formerly the Bureau of Alcohol, Tobacco, Firearms, and Explosives), and the Customs Service. Data by type of tax are shown by fiscal year for 1998-2005 and quarterly for more recent years.

SOI Projects and Contacts

General Statistical Information: (202) 874-0410 Fax: (202) 874-0964 e-mail: sis@irs.gov

Projects*	Primary Analysts	Frequency and Program Content
Farm Sole Proprietorships: 2007 Program 2008 Program 2009 Program	Kevin Pierce Mary Jezek	This study provides farm income and expenses classified by industry and gross farm income reported by individuals on Schedule F, <i>Profit or Loss from Farming</i> .
Foreign-Controlled Domestic Corporations: 2006 Program	James Hobbs	This annual study covers domestic corporations with 50-percent-or-more stock ownership by a single foreign "person." It covers balance sheet, income statement, and tax-related data, which are classified by industry group, country, and size and age of the corporations. Data are compared to those for other domestic corporations.
Foreign Recipients of U.S. Income: 2006 Program	Scott Luttrell	This annual study provides data by country on income paid to nonresident aliens and the amount of tax withheld for the U.S. Government.
Foreign Trusts: 2006 Program	Dan Holik	This periodic study, conducted every 4 years, provides data on foreign trusts that have U.S. "persons" as grantors, transferors, or beneficiaries. Data include country where the trust was created, value of transfer to the trust, and year the trust was created. The most recent study is for Tax Year 2002.
Gift Tax: 2007 Program 2008 Program 2009 Program	Darien Jacobson Melissa Belvedere	This annual study provides data for type and amount of gift, information on donee, and tax computation items. Information about the donor and gift splitting is also available. Most recent data are for Filing Year 2007.
Individual Income Tax Return Public-Use File:	Mike Weber	Microdata on CD-ROMs are produced annually and contain detailed information obtained from the individual income tax return statistics program, with identifiable taxpayer information omitted to make the file available for public dissemination on a reimbursable basis.
Individual Income Tax Returns: 2007 Program 2008 Program 2009 Program	Maureen Keenan Kahr Scott Hollenbeck	Basic data are produced annually and cover income, deductions, tax, and credits reported on individual income tax returns and associated schedules. Data are classified by size of adjusted gross income, marital status, or type of tax computation.
Individual Income Tax Returns Special Tabulations:	Mike Parisi	Special tabulations of selected individual income, deduction, and tax data are produced on a reimbursable basis.
Interest-Charge Domestic International Sales Corporations (IC-DISCs): 2006 Program 2007 Program	Dan Holik	These corporations replaced the Domestic International Sales Corporations, or DISCs, as of 1985. Balance sheet, income statement, and export-related data are tabulated every 4 years. The most recent study is for Tax Year 2004.

SOI Projects and Contacts

General Statistical Information: (202) 874-0410 Fax: (202) 874-0964 e-mail: sis@irs.gov

Projects*	Primary Analysts	Frequency and Program Content
International Boycott Reports: 2006 Program 2007 Program	Lissa Costa	This study provides data on business operations of U.S. "persons" in boycotting countries, as well as the requests and agreements to participate in, or cooperate with, international boycotts not sanctioned by the U.S. Government.
Migration Flow and County Income Data:	Emily Gross Kevin Pierce	Migration flow data (based on year-to-year changes in individual income tax return addresses) and county or State income data are available annually on a reimbursable basis. The most recent data are for 2006-2007.
Noncash Charitable Contributions:	Janette Wilson	This study of individual income tax returns provides detailed asset donations, descriptions of the donees, donor cost, fair market value, and deduction claimed on Form 8283, <i>Noncash Charitable Contributions</i> .
Occupation Studies:	Terry Nuriddin	This periodic study classifies individual income tax returns by occupation and contains a dictionary of occupational titles that can be used to enhance the economic data of other individual income tax return studies.
Partnership Returns of Income:	Tim Wheeler Nina Shumofsky	Basic data, produced annually, cover income statement, balance sheet, and details from supporting schedules. Data are classified chiefly by industry group.
Partnership Withholding Study: 2006 Program	Scott Luttrell	This annual study provides data on U.S. partnership payments to foreign partners. Data are classified by country and recipient type.
Personal Wealth Study: 2004 Program 2007 Program	Brian Raub	This periodic study provides estimates of personal wealth of top wealth holders that are generated from estate tax return data using the "estate multiplier" technique, in conjunction with both filing-year and year-of-death estate databases. The most recent data, for 2004, are based on returns filed from 2004 to 2006.
S Corporations:	Gabe Schneider	Annual study data are collected for the income statement and balance sheet, and from supporting schedules. Data are classified by industry group or asset size.
Sales of Capital Assets:	Janette Wilson	This periodic study provides detailed data on the sales of capital assets reported in the capital gains schedule of the individual income tax return, and on sales of residences and personal or depreciable business property.
Sole Proprietorships: 2007 Program 2008 Program 2009 Program	Jeff Curry	Basic data, produced annually, cover business receipts, deductions, and net income reported on Schedule C, <i>Profit or Loss From Business</i> , for nonfarm proprietors, classified by industry group.

SOI Projects and Contacts

General Statistical Information: (202) 874-0410 Fax: (202) 874-0964 e-mail: sis@irs.gov

Projects*	Primary Analysts	Frequency and Program Content
Split-Interest Trust Information: 2007 Program 2008 Program 2009 Program	Lisa Schreiber	This annual study provides information on charitable remainder trusts, charitable lead trusts, and pooled income funds. Data include balance sheet, income, deductions, and detail from accumulation and distribution schedules. The most recent data are for Filing Year 2006.
Tax-Exempt Bond Issues: 2006 Program 2007 Program 2008 Program	Emily Shammass	This annual study provides information on private activity and Governmental bond issues by type of property financed, size of face amount, and State. The most recent data are for Tax Year 2006 public purpose bonds and private activity bonds.
Tax-Exempt Organizations (Except Private Foundations): 2005 Program 2006 Program 2007 Program	Paul Arnsberger	This annual study provides balance sheet and income statement data for organizations classified as tax-exempt under subsections 501(c)(3)-(9) of the Internal Revenue Code. The most recent data are for Reporting Year 2005 returns filed in Calendar Years 2006-2007.
Tax-Exempt Organizations, (Private Foundations): 2005 Program 2006 Program 2007 Program	Cynthia Belmonte	This annual study provides balance sheet and income statement data for domestic private foundations and charitable trusts filing a Form 990-PF. The most recent data are for Reporting Year 2005 returns filed in Calendar Years 2006-2007.
Tax-Exempt Organizations, Unrelated Business Income: 2005 Program 2006 Program 2007 Program	Melissa Ludlum Jael Jackson	This annual study provides tabulations of "unrelated business" income and deductions for organizations classified as tax-exempt under the Internal Revenue Code. The most recent data are for Reporting Year 2004 returns filed in Calendar Years 2006-2007.
Transactions of Foreign-Controlled Corporations:	Mark Lowe	This biennial study provides data on transactions between U.S. corporations and their foreign owners. Data are classified by country and industry group.
ZIP Code Area Data:	Mary Jezek	Statistics on CD-ROM show number of individual income tax returns, exemptions, and several income items by State and 5-digit ZIP Code. Data are available for 2002 and 2004-2006 on a reimbursable basis. Data for Tax Years 1998 and 2001 are also available, free of charge, on the IRS Web site: http://www.irs.gov/taxstats/article/0,,id=96947,00.html .

* Many of the data release dates are published in each issue of the *SOI Bulletin* (see "Public Release of SOI Information"). For more information about data availability for a particular project, call or fax the numbers shown at the top of the page.

SOI Products and Services

Statistics of Income (SOI) data are available in electronic formats and in print. For further information on any of the following products and services, or for answers to questions on the availability of SOI data, other statistical services, or release dates for data, contact SOI's **Statistical Information Services (SIS)**:

Statistical Information Services (sis@irs.gov)
Statistics of Income Division
Internal Revenue Service
P.O. Box 2608 • Washington, DC 20013-2608
(202) 874-0410 • **Fax:** (202) 874-0964

As its name implies, SIS is best able to answer questions about data. It does not supply tax forms or information about the status of an individual's tax refund or audit examination. Media requests should be directed to the IRS Media Relations Branch, Communications Division, on (202) 622-4000.

Free Products on the Internet

SOI's Internet site offers a combination of files presenting SOI tables, articles about SOI data, and information about SOI products and services, as well as non-SOI products, including Compliance Research projections, and nonprofit Master File microdata records. At present, over 8,933 files reside there.

Web site: www.irs.gov/taxstats

There is also a direct link to our Web site from FedStats, the gateway to official statistics from the Federal Government: www.fedstats.gov.

Tax Stats

On the Tax Stats Home Page, you will find the following list of topics that will lead to a wide range of tables, articles, and data that describe and measure elements of the U.S. tax system. There is also a link to check out What's New.

Business Tax Statistics

Corporations • International • Partnerships
Nonfarm Sole Proprietorships
S Corporations • All Topics

Charitable and Exempt Organization Statistics

Charities • Exempt Organization Master File
Private Foundations • Trusts
Tax-Exempt Bonds • All Topics

Individual Tax Statistics

Filing Season Statistics • Estate and Gift Tax
Individual Income Tax • International
Personal Wealth • All Topics

Products, Publications, and Papers

SOI Bulletins • *IRS Data Books*
Conference Papers • *SOI Paper Series*
All Topics

IRS Operations, Budget, and Compliance

Issuing Refunds • Collecting Revenue
Enforcing Laws • Assisting Taxpayers
Historical Data Tables • All Topics

Statistics by Form

706 • 709 • 990 • 990-PF • 990-T
1040 • 1041 • 1065 • 1118 • 1120
5471 • 5472 • 8038 • All Forms

Statistics of Income (SOI)

About SOI • Careers With SOI
SOI Services • SOI Studies
All Topics

Additional Information

Tax Statistics at a Glance
Join SOI Tax Stats E-Mail List
Payments for SOI Data
Questions On Tax Statistics?

Products for Sale From SOI

Many of SOI's data files are available for sale on CD-ROM, diskette, tape, or via e-mail through Statistical Information Services. **Prepayment is required for orders of \$100 or more**, with checks made payable to the **IRS Accounting Section**. Credit and debit card payments are also accepted. Contact SIS for information on specific products, prices, sources, media, and ordering instructions.

The following files are currently available on a reimbursable basis and include data from returns covering corporations, individuals, exempt organizations, and private foundations and charitable trusts. Most of these files are tabulations of aggregated data, but some are files of microdata records.

Corporation Income Tax Returns

Corporation Source Book

CD-ROMs containing data from the *Corporation Source Book* are available for Tax Years 1996-2003 at a cost of \$250 per year. Data from the 2004 through 2006 *Corporation Source Books* are available at no charge from the Tax Stats Web site. Data tables from the 2000 through 2006 *Source Book* are also available at no charge from the Tax Stats Web site at: www.irs.gov/taxstats/bustaxstats/article/0,,id=149687,00.html.

Individual Income Tax Returns

Individual Public-Use Microdata Files

These files include individual income tax returns for Tax Years 1960, 1962, 1964, and 1966-2004. All of the files have been edited to protect the confidentiality of individual taxpayers. Public-use files of individual income tax returns for 1960, 1962, 1964, and 1966-1991 are available for sale by writing to the Center for Electronic Records at the National Archives and Records Administration, 8601 Adelphi Road, College Park, MD 20740-6001, or by calling toll-free (866) 272-6272. Files for 1992 through 2004 are available on CD-ROM from the SOI Division. Price for the SOI microdata files is \$4,000 per year.

County-to-County Migration Data

One table, based on the year-to-year changes in the addresses shown on the population of returns from the IRS Individual Master File system. This table presents data on migration patterns by county for the entire United States, including inflows and outflows. The data include the number of returns (which approximates the number of households); the number of personal exemptions (which approximates the population); and total "adjusted gross income." Available for Filing Years 1984-2007. Price is \$200 per year for the entire United States or \$10 per State per year. All years for the entire United States are also available for \$500.

State-to-State Migration Data

One table, based on the year-to-year changes in the addresses shown on the population of returns from the IRS Individual Master File system. This table presents data on migration patterns by State for the entire United States, including inflows and outflows. The data include the number of returns (which approximates the number of households); the number of personal exemptions (which

approximates the population); and total "adjusted gross income." Available for Filing Years 1989-2007. Price is \$50 per year for the entire United States or \$10 per State per year.

County Income Data

One table, based on the population of returns from the IRS Individual Master File system. This table presents data for adjusted gross income (total and for selected sources), number of returns (which approximates the number of households), and number of personal exemptions (which approximates the population). The data are presented by county (including State totals) and are available for Tax Years 1989-2006 for the entire United States. Price is \$50 per year for the entire United States or \$10 per State per year.

ZIP Code Area Data

Statistics are available for Tax Years 2002 and 2004-2006 on CD-ROM showing the number of individual income tax returns; the total number of exemptions and number of dependent exemptions (which approximates population); adjusted gross income; salaries and wages; taxable interest; total tax; contributions; number of returns with Schedules C and F; and number of returns with Schedule A, by State and 5-digit ZIP Code. In addition to these items, data for Tax Year 2004-2006 also show the amount of taxable dividends; net capital gain/loss; IRA payment adjustment; self-employed pension adjustment; taxes paid deduction; alternative minimum tax; income tax before credits; earned income credit; and number of returns prepared by paid preparers. Price is \$500 for the entire United States; \$25 for a single State. Data for Tax Years 1998 and 2001 are available free on SOI's Internet site. Go to www.irs.gov, select the **Tax Stats** option; Individual Tax Statistics; Individual Income Tax; Zip Code Data (SOI) under Data by Geographic Areas.

Tax-Exempt Organizations

Compendium of Studies of Tax-Exempt Organizations, 1989-1998

This is a compilation of articles on SOI studies of charitable and other nonprofit organizations described in Internal Revenue Code sections 501(c)(3)-(c)(9), private foundations, charitable remainder trusts, and nonprofit organizations' unrelated business income. All of these articles were published previously in various issues of the *Statistics of Income Bulletin*. In addition, the *Compen-*

SOI Products and Services

dium includes papers on statistical sampling of tax-exempt organization returns, and other topics relating to tax-exempt organizations and philanthropy that were authored by IRS staff and others who use SOI study data for research. Available at no charge on CD-ROM.

Microdata Records for Tax Year 2005

Microdata records of all Forms 990 and 990-EZ sampled for the annual SOI study of tax-exempt organizations. The samples include 15,731 Internal Revenue Code section 501(c)(3) organizations and 6,844 section 501(c)(4)-(9) organizations. All returns for organizations with assets of \$50,000,000 or more are included in the sample. Microdata records contain information on balance sheets and income statements, as well as weights (to estimate the population), for each organization. Available for download from SOI's Tax Stats Web site at www.irs.gov/taxstats/charitablestats/article/0,,id=97176,00.html, or may be purchased on CD-ROM for \$20.

Microdata Records for Tax Years 1992-2004

Microdata records of all Forms 990 and 990-EZ sampled for the annual SOI study of tax-exempt organizations. Microdata records contain information on balance sheets and income statements, as well as weights (to estimate the population), for each organization. Available for download from SOI's Tax Stats Web site at www.irs.gov/taxstats/charitablestats/article/0,,id=97176,00.html, or may be purchased on CD-ROM for \$20.

Private Foundations (and Charitable Trusts)

Microdata Records for Tax Year 2005

Microdata records of all Forms 990-PF sampled for the annual SOI study covering private foundations and Internal Revenue Code section 4947 (a)(1) charitable trusts. The file contains both operating and nonoperating foundations and trusts. The sample includes 11,767 returns. (All returns filed by foundations with assets of \$10 million or more, as well as the population of returns filed by nonexempt charitable trusts, are included in the sample.) Microdata records contain information on revenue, expenses, assets, and distributions, as well as weights, for each foundation or trust. Available for download from SOI's Tax Stats Web site at www.irs.gov/taxstats/charitablestats/article/0,,id=96996,00.html, or may be purchased for \$20.

Microdata Records for Tax Years 1992-2004

Microdata records of all Forms 990-PF sampled for the annual SOI study covering private foundations and Internal

Revenue Code section 4947 (a)(1) charitable trusts. Microdata records contain information on revenue, expenses, assets, and distributions, as well as weights, for each foundation or trust. Available for download from SOI's Tax Stats Web site at www.irs.gov/taxstats/charitablestats/article/0,,id=96996,00.html, or may be purchased for \$20.

Publications

Statistics of Income—2006, Corporation Source Book

*Publication 1053, Price: \$175,
plus \$10 for shipping and handling*

This document presents detailed income statement, balance sheet, tax, and selected items, by sector, major and minor industrial groups, and size of total assets for all returns and separately for returns with net income. Separate statistics on S corporations are included by sector. Industry detail is based on the North American Industry Classification System (NAICS). The report, which underlies the *Statistics of Income—Corporation Income Tax Returns* publication, is part of an annual series and can be purchased in its entirety or by page. *Corporation Source Book* industry pages and notes for 1963 through the present are available at a cost of \$30, plus \$1 per page copying charge (free for orders under 5 pages). The complete, printed version of the *Source Book* for selected prior years, 1984-2006, is also for sale at \$175 per year, plus \$10 for shipping and handling.

Compendium of Federal Estate Tax and Personal Wealth Studies

*Publication 1773, Price: \$26,
plus \$10 for shipping and handling*

Part I of this report focuses on data from estate tax returns, describing decedents, their beneficiaries, and the composition of their estates. It contains a methodological discussion of the strategy used in weighting sample data for the estate studies and presents statistics on selected components of decedents' estates, 1916-1990. Information on charitable giving is also included.

Part II presents a series of articles describing the estate-multiplier technique and its applications for personal wealth estimates, estimates of personal wealth for selected years 1962-1989, and a discussion of the relationship among realized income, wealth, and well-being.

Products for Sale From GPO

Recent SOI publications are available from the Superintendent of Documents, U.S. Government Printing Office, Washington, DC, **by calling (202) 512-1800, or faxing (202) 512-2250**. Credit cards are accepted. Publications may also be obtained by using the order form at the end of this *Bulletin* or writing to:

Superintendent of Documents

P.O. Box 371954
Pittsburgh, PA 15250-7954

* If you determine from the Government Printing Office that any of the following items is out of print, call **Statistical Information Services on (202) 874-0410** for assistance.

IRS Data Book, 2007

Annually, Publication 55B, Stock No. 048-004-02498-5
Price: \$11 International: \$15.40

This volume pertains to Fiscal Year (FY) 2007—October 1, 2006, through September 30, 2007. The report provides information on returns filed and taxes collected, enforcement, taxpayer assistance, the IRS budget and workforce, and other selected activities. The FY 2008 issue of the Data Book will be available in late March 2009.

Statistics of Income Bulletin

Quarterly, Publication 1136, Stock No. 748-005-00000-5
Subscription price: \$53 International: \$74.20
Single copy price: \$39 International: \$54.60

This series provides the earliest published financial statistics from individual and corporation income tax returns. The *Bulletin* also includes annual data on nonfarm sole proprietorships and partnerships, as well as periodic or

special studies of particular interest to tax analysts, administrators, and economists. Historical tables, published in the spring issue, include data from SOI, as well as tax collections and refunds by type of tax.

Statistics of Income—2004, Corporation Income Tax Returns

Publication 16, Stock No. 048-004-02495-1
Price: \$52.50 International: \$73.50

This report presents more comprehensive data on corporation income tax returns with accounting periods that ended July 2005 through June 2006 than those published earlier in the *SOI Bulletin*. The 2005 report is available on SOI's Tax Stats Web site.

Presents information on:

- receipts
- deductions
- net income
- taxable income
- income tax
- tax credits
- assets
- liabilities

Classifies data by:

- industry
- accounting period
- size of total assets
- size of business receipts
- size of income tax after credits

Statistics of Income—2006, Individual Income Tax Returns

Publication 1304, Stock No. 048-004-02499-3
Price: \$39 International: \$54.60

This report presents more comprehensive and complete data on individual income tax returns for Tax Year 2006 than those published earlier in the *SOI Bulletin*.

Presents information on:

- sources of income
- exemptions
- itemized deductions
- tax computations

Classifies data by:

- size of adjusted gross income
- marital status
- type of tax computation

STATISTICS OF INCOME

SUBSCRIPTION AND PUBLICATION ORDER FORM

Order Processing

Code:
3506

Easy Secure Internet:
bookstore.gpo.gov

Toll Free: (866) 512-1800
DC Area: (202) 512-1800
Fax: (202) 512-2104

Mail: Superintendent of Documents
PO Box 371954
Pittsburgh, PA 15250-7954

YES, enter my subscription(s) as follows:

_____ subscription(s) of the **Statistics of Income Bulletin** (List ID SOIB), for \$53 per year (\$74.20 International).

YES, send me the following publication(s):

_____ copies of **Statistics of Income - 2004, Corporation Income Tax Returns**, S/N 048-004-02495-1 at \$50 each (\$70 International).

_____ copies of **Statistics of Income - 2006, Individual Income Tax Returns**, S/N 048-004-02499-3 at \$39 each (\$54.60 International).

_____ copies of **IRS Data Book, 2007**, S/N 048-004-02498-5 at \$11 each (\$15.40 International).

Total cost of my order is _____. Price includes regular shipping and handling and is subject to change.

Personal name _____ (Please type or print)

Company name _____

Street address _____

City, State, Zip code _____

Daytime phone including area code _____



Check method of payment:

☐ Check payable to Superintendent of Documents

☐ SOD Deposit Account

☐ Visa

☐ MasterCard

☐ Discover/NOVUS

☐ American Express

Change of Address form for

Statistics of Income SOI BULLETIN

Mail this form to: Superintendent of Documents, U.S. Government Printing Office, Washington, DC 20402

Personal name _____ (Please type or print)

Company name _____

Street address _____

City, State, Zip code _____

Country _____

**ATTACH SUBSCRIPTION
LABEL HERE**

IMPORTANT: PLEASE INCLUDE THIS COMPLETED ORDER FORM WITH YOUR PAYMENT.